

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Shri. R. Preman Dinaraj, Chairman
Adv. A J Wilson, Member (Law)

OP 49/2021

In the matter of : Truing Up of accounts of M/s KINESCO Power and Utilities Private Limited for the financial year 2019-20.

Petitioner : M/s Kinesco Power and Utilities Private Limited (KPUPL)

Date of hearing : 28-10-2021

Represented by : Sri. Ajith Kumar T.N., CEO KPUPL
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL
Sri. Sajeev M.S., Resident Engineer, KPUPL

Order Dated 18-02-2022

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to the name of KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of four industrial parks of KINFRA and are (1) KEPIP Kakkanad, (2) Hi- Tech Park Kalamassery, (3) KIITP Kanjikode and (4) KINFRA Mega Food Park Kozhipara, Kanjikode
2. The KPUPL has filed the instant petition on 12-08-2021 as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018) for the Truing Up of accounts for the year 2019-20. As per the Regulation 10(1) of the Tariff Regulations, 2018, the petition for Truing Up of Accounts for the year 2019-20 has to be filed by 30-11-2020. Hence, the licensee filed the petition for Condonation of Delay (IA 16/2021). The Kerala State Electricity Regulatory Commission (hereinafter referred to as the Commission) considered the matter IA 16/2021 and vide Order dated 18-08-2021, the delay of 255 days was condoned and the petition was admitted as OP No.49/2021.

3. The licensee had filed the ARR petition for the control period 2018-19 to 2021-22 in the month of December 2019 (07-12-2019) and subsequently filed a revised petition on 15-06-2020. The Commission while hearing the ARR petition on 17-09-2020 (second hearing) observed that there is no point in issuing ARR Order for the year 2018-19 and 2019-20 as these periods are already over and hence directed the petitioner vide Daily Order dated 01-10-2020 to file the Truing Up petitions for the year 2018-19 by 30-11-2020 and for the year 2019-20 by 31-12-2020.
4. Accordingly, KPUGL has filed the present petition for the Truing Up of Accounts for the year 2019-20 with the following prayers:
 - a) Approve the true up petition based on the revised forms and Annexures submitted herewith for the financial year 2019-20.
 - b) Approve the actual T&D loss of 1.66% for the year 2019-20.
 - c) Compute interest on the regulatory surplus to include in other income, after removing the expenses that have not been approved by the Hon'ble Commission like Electricity duty u/s.3 till the year 2019-20.
 - d) Compute ROE on the equity and share premium account as per Commission's earlier (2006) clarification.
 - e) Approve the payment of arrears of salary to CEO from 21.12.2015 to 31.03.2019 to the tune of Rs.18,96,806/-, based on fixation of pay by GOK.
 - f) Approve the net loss due to assets written-off to the tune of Rs.67.19 lakhs.
 - g) Approve the revenue surplus of Rs.121.64 lakhs for the financial year 2019-20 and the cumulative revenue surplus of Rs. 3,649.84 lakhs.
 - h) Approve the capital expenditure of Rs.69.88 Lakhs for 2019-20.
 - i) Approve the depreciation schedule for the year 2019-20.
 - j) Approve payment / provision for income tax to the tune of Rs. 92.58 lakhs (Copy of assessment intimation u/s 143 (1) of Income Tax Act is attached as Annexure – K)
 - k) Condone any inadvertent omissions, errors, shortcomings and permit KPUGL to add/change/modify/alter this filing and make further submissions as may be required at a future date.
 - l) Hearing of truing up petition for the year 2019-20 may kindly be considered along with the hearing of truing up petition for 2018-19 which is scheduled on 27.08.2021.

m) Pass such other and further order as deemed fit and proper in the facts and circumstances of the case.

5. In the petition for Truing Up of Accounts for the year 2019-20, the licensee has claimed a revenue surplus of Rs.121.64 lakh and also submitted the details of claims under each item. As stated above, no ARR Order was issued for the year 2019-20 since the petition for ARR for the control period 2018-19 to 2021-22 was filed only in December 2019. Therefore, the summary of the Aggregate Revenue Requirement (Expenditure) and Expected Revenue from Tariff and Charges (Income) claimed by the licensee as per the petition for Truing Up of Accounts for the year 2018-19 and 2019-20 and the various amount approved for the year 2018-19 as per the Truing Up Order dated 11-11-2021 are shown below.

Table 1
Comparison of ARR&ERC for the period 2018-19 and 2019-20

Particulars	2017-18	2018-19		2019-20	Increase/ Decrease over P.Y (Rs. lakh) (C)=(B)- (A)
	Trued Up (Rs. lakh)	Truing Up Petition (Rs. lakh) (A)	Trued Up (Rs. lakh)	Truing Up Petition (Rs. lakh) (B)	
Revenue from Sale of Power	5663.70	6130.64	6107.03	6988.74	858.10
Wheeling Charge Income	0.00	2.39	2.39	28.31	25.92
Other Income	234.93	94.67	357.31	125.26	30.59
Total Income	5898.63	6227.70	6466.73	7142.31	914.61
Purchase of Power	5202.32	5664.87	5573.93	6330.51	665.64
R&M Expenses	76.11	78.11	78.11	88.61	10.50
Employee Cost	49.72	54.65	52.13	76.05	21.40
A &G Expenses	39.99	123.57	51.46	108.81	-14.76
Depreciation	88.62	354.86	0.00	110.27	-244.59
Interest & Finance Charges	79.84	96.72	79.45	101.01	4.29
Return on Equity	2.91	45.64	4.43	45.64	0.00
Tax on RoE	0.00	15.83	0.00	92.58	76.75
Adjustment of profit on a/c of loss due to write-off of assets	-	-	-	67.19	-
Total Expenditure	5539.51	6434.25	5839.51	7020.67	586.42
Net Surplus/(Deficit)	359.12	(206.55)	627.22	121.64	328.19

6. After examining the petition, the Commission has sought several clarifications on the petition vide letter dated 08-10-2021 giving time till 25-10-2021 for furnishing the required details. The licensee vide letter No. KPUPL/KSERC/True Up/2021-22/098 dated 25-10-2021 furnished the reply to the clarifications sought by the Commission.

Public Hearing on the Petition

7. The public hearing on the Truing Up petition was conducted through Video Conference Mode on 28-10-2021. Shri. Ajith Kumar T.N CEO, Shri. Ashok Kumar Manager (Finance), Sri. Sajeev M.S., Resident Engineer and Sri. Radhakrishna Pillai, Sr. Electrical Engineer were participated in the hearing representing the licensee. Sri. Sajeev M.S. Resident Engineer made a presentation on the Truing Up claim and explained each item in their claim and responded to the queries of the Commission. The main points made by the licensee are-
- a) Major portion of the sale comprises of HT & DHT consumers and in the year 2019-20, 5 no. of consumers has started operation in other HT categories and hence sale increased by 16.20 lakh units under other HT categories.
 - b) No. of consumers under LT category has increased by 37 nos, but, the sale of power has nominally increased by 7.20 lakh units. The increase in the number of LT consumers does not contribute much in the revenue from sale of power.
 - c) Proper routine maintenance of the substations and distribution network have been executed during the year 2019-20 and arranged the replacement of erroneous CT/PTs with proper rating by the consumers.
 - d) Steps have been taken to replace the metering system to 0.2s class accuracy. The periodic inspections of the network, consumer premises and periodic site inspections have been conducted to improve the performance.
 - e) Chief Executive Officer and an Accounts Officer were engaged on regular role. All other technical and administrative functions were outsourced through a manpower agency and the operation and maintenance of the sub-station was awarded to licensed contractors in order to keep the employee cost on lower side.
 - f) The distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which cause more administrative expenses. On the other side, the company have taken all the effective measures to limit the A&G expenses and bring it under control
 - g) Major part of R&M Expenses for the years were incurred for the operation and maintenance contract in the licensee areas of KPUPL. The work of operation and maintenance contract of substations and distribution systems for the above periods were awarded through proper tendering process
 - h) Development of sub-station road was part of the common developmental works undertaken by KEPIP and transferred to KPUPL, which was

necessitated for better approach during emergency like flash over during lightening, to the 110 KV sub-station at Kakkanad.

- i) Installation of solar plant in three parks was an initiative taken by KPUPL to meet the obligation under RPO as directed by the Hon'ble Commission
 - j) Expenditure for procurement of 11KV RMUs incurred for meeting the technical requirement of Chief Electrical Inspector, Govt. of Kerala for safety purpose.
8. During the hearing, the Commission sought the findings & recommendations of the energy audit conducted and suggested to the licensee that any energy audit conducted has to be through a professional agency. Regarding the tendering process, the Commission suggested to the licensee to extend the contract period of 1 year to 5 years for the new contracts.
9. The KSEB Ltd. vide their letter No. KSEB/TRAC/KPUPL/2021/R1/477 dated 30-10-2021 filed the following comments on the Truing Up petition.
- i. The distribution loss claimed by the licensee for the year 2019-20 is 1.66%. The Commission had approved a loss level of 1.50 % in the True Up Order for the year 2017-18.
 - ii. In the Truing Up petition the R&M expenses for the year 2019-20 is 21.76% higher than norms as per tariff Regulations.
 - iii. Regarding employee cost, it is submitted that, the employee cost for the year 2019-20 is 89.98% higher than the norms as per tariff Regulations, 2018.
 - iv. A&G expenses claimed is 180% higher than the norms as per tariff Regulations, 2018. Electricity Duty under section 3(1) is also claimed in the A&G expenses. The Commission may adopt uniform approach regarding sec 3(1) duty.
 - v. The licensee has claimed Rs 110.27 lakh as depreciation against the Trued Up level of Rs 88.62 lakhs in 2017-18. This is abnormally high. The capital addition claimed is only Rs 69.87 lakhs higher than the previous year GFA. But depreciation claimed has increased abnormally.
 - vi. In the Truing Up Order dated 31-03-2020 for the period from 2010-11 to 2014-15, 2015-16 & 2016-17 the Commission has deducted Rs 6.36 lakh from the depreciation arrived for the share of government grants. The depreciation for the assets created out of governments grants is to be deducted from the depreciation amount.
 - vii. The licensee has claimed ROE as 14% of the equity of Rs 326.03 lakh, this amount comes to Rs 45.64 lakh. It can be seen that no further equity is

added during 2018-19. Hence equity may be limited Rs.31.64 lakhs and ROE may be allowed accordingly.

- viii. The licensee has sought approval for capital expenditure for Rs 69.87 lakh incurred in 2019-20. It is mentioned in the petition that approval of the capital expenditure plan is pending. The prior approval is to be sought for capital expenditure.
- ix. The licensee has claimed interest and finance charges as Rs 101.01 lakhs, against the Trued Up value of Rs 79.64 lakhs for 2017-18. The percentage of interest claimed is 11.5%, which is on higher side. Further capital expenditure for 2018-19 is not approved and interest cannot be claimed for the assets capitalized without Hon. Commission's approval.
- x. There is slight variation in the units purchased. But the power purchase cost (except solar and RPO) tally with that of KSEB Ltd records.
- xi. The solar self-generation cost is also added in the power purchase cost. If the licensee claims depreciation, interest on loan etc for the cost of installation of solar generation, the cost of self-generation cannot be included in power purchase cost. Even if the purchase cost from any source is to be included, the cost of that power is to be approved by the Commission. Such approval is also not obtained by KPUPL. Hence self-generation cost cannot be included in power purchase cost.
- xii. The liability provision of Rs.115.98 lakh is claimed for RPO in 2019-20. It is not specified whether KPUPL has purchased RE certificates. In true up process, the actual amount spent is to be taken. As such, the provision for RPO shall not be taken in power purchase cost.
- xiii. In petition KPUPL has shown an amount of Rs 67.19 lakh as adjustment of profit on account of loss due to write off of assets and stated that details are attached as Annexure G. This amount is considerable and require scrutiny.

Analysis and decision of the Commission

10. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2019-20, with the additional clarifications furnished by the licensee vide letter dated 25-10-2021, email dated 08-11-2021, the clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 30-10-2021.
11. The Commission had issued directions vide Order dated 29-03-2021, while finalising the Truing Up of accounts for the year 2017-18 in OP No. 34/2020. In this regard, the Commission has sought the compliance report and the reason if any for non-compliance through the clarifications. In the clarifications dated 25-10-2021 licensee stated that, the work was disrupted due to the Covid-19,

only limited trained staff was engaged for preparation and submission of Truing Up petitions for the years 2018-19 and 2019-20 and for the finalisation of Accounts and audit for the year 2020-21. These reasons resulted in non-compliance of the directions issued by the Commission. The directions of the Commission and submission of the licensee are furnished below.

- A. The Commission observed that since area wise Transmission and Distribution Loss is not being submitted it is not possible for the Commission to assess the performance of each area -
 - i. Area-wise details of T&D loss is already submitted to the Commission. The Energy Audit is recently conducted at Kakkanad licence area by Kerala State Productivity Council (KSPC), Kochi. Details of equipment's and a theoretical calculation of T&D loss is being worked out by KSPC and would be submitted to the Commission before 31-12-2021 for detailed perusal.
- B. To reconcile the power purchase figures with that of KSEB Ltd. and to submit the correct figures within three months of issue of the Order.
 - i. Summary of the purchase bills from KSEB Ltd for Kakkanad and Kalamassery licence areas were worked out and submitted along with the Truing Up petition for the year 2017-18 for the reconciliation of purchase with KSEB Ltd. However, since the matter is still open for resolution and the licensee is in the process of compiling all the bills of KSEB Ltd for both license areas from 2009-10 onwards for reconciliation with KSEB Ltd records. Since this work involves a lot of time and licensee request a period for furnishing these details till 31-03-2022.
- C. To pursue with KSEB Ltd for the early transfer of the existing KSEB Ltd consumers at Kanjikode to KPUGL to make the licensee's operation more effective.
 - i. This was agreed to in-principle by KSEB Ltd in a meeting held in the presence of then Addl. Chief Secretary (Industries and Power). Subsequently, the matter has been taken up with KSEB Ltd on several occasions, who raised technical issues to stall the transfer. Effort will continue in this direction since the electrical infrastructure was originally developed by KINFRA and handed over to KSEB Ltd. In the meantime, KPUGL has taken consent of all the existing consumers for transfer of connection from KSEB Ltd to KPUGL. The licensee also committed to continue their effort to materialise the transfer of consumers at Kanjikode license area and issue will be finalised before 31-03-2022.

- D. The licensee shall file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number of employees engaged in each shift, etc based on CEA norms to arrive at an optimal employee strength not later than three months of the Order.
- i. Board approval was obtained to file the petition for manpower approval from the Commission. The details are being worked out and would be submitted for approval of the Commission within a couple of months (before 31-12-2021).
- E. To rectify the application of incorrect rates of depreciation and to cure the defects with reference to prior periods and submit corrected depreciation along with the next Truing Up petition.
- i. Depreciation has been re-worked as per direction and submitted along with the Truing Up petition for the year 2018-19 for the kind approval of the Hon'ble Commission.
- F. To submit the details of interest on security deposits actually paid within three months of the Order, if the licensee desires to claim interest on security deposit under interest and financing charges.
- i. Since inception KPUPL has been providing pre-paid energy metering system. Energy meters were costly and to safeguard the interest of the licensee, a token amount of Rs.35,000/- were collected from consumers. In the absence of any provision in Supply Code, we have been working out interest at prevailing saving bank interest rate and paid to the consumers. Prepaid energy metering system has been upgraded recently and accordingly the matter needs to be reviewed and approval of the Commission will be sought separately.
- G. The cumulative revenue surplus up to 2017-18 is Rs.3734.75 lakh (Rs.3375.63 lakh + Rs.359.12 lakh). The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.
- i. The matter of transfer of regulatory surplus up to 2009-10 from KEPIP to the tune of Rs.1519.89 lakhs is taken up with Kinfra and is being studied by a Committee including a practicing Chartered Accountant since the same involves Companies Act and Income Tax Act also. Moreover, the regulatory surplus includes a portion that was paid by KPUPL towards Electricity Duty u/s.3 of Electricity Duty Act, 1963. This matter is taken up with Govt. of Kerala. Since the matter takes time at various level, we request the Hon'ble Commission to permit more time to comply with the direction.

12. In response to the above (A) and (D) directions of the Commission the licensee stated that, the compliance to the directions would be submitted to the Commission before 31-12-2021. The licensee has not yet furnished any details in this regard. Hence, ***the Commission hereby directs that, the licensee shall furnish a detailed note showing the details of equipment, theoretical calculation of T&D loss, area of improvements based on the energy audit, the benefits achieved consequent on the energy audit including a copy of the energy audit report within 3 Months of the date of issue of this Order. Regarding the direction of (D) of the above, the Commission is allowing the licensee an extended opportunity of 3 months from the date of this Order to comply with this direction.***
13. As part of the disposal of the Truing Up petition, the claim of the licensee towards each of the components has been analysed in detail. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations 2018 on the petition for Truing Up of Accounts for the year 2019-20 are detailed below:

Energy Sales and No of Consumers

14. The actual sale of energy as per the Truing Up of accounts is 926.08 lakh units for the year 2019-20. As per the Trued-up figures for the year 2018-19, the total sales were Rs. 864.94 lakh units. A comparison of the actual sale of power and number of consumers category wise for the year 2018-19 and 2019-20 is given below.

Table 2
Comparison of Energy Sales and No of Consumers for 2018-19 and 2019-20

Sl. No.	Consumer Category	Number of consumers		Units Sold	
		2018-19	2019-20	2018-19	2019-20
	HT Categories				
1	HT I A	18	19	195.91	198.01
2	HT I B	19	19	424.76	456.78
3	HT II A	2	3	5.62	4.42
4	HT II B	1	3	3.15	4.57
5	HT III B	1	1	5.86	5.59
6	HT IV	1	1	18.00	9.52
7	HT IV A	-	1	-	0.81
8	HT IV B	-	1	-	23.88
	Sub Total	42	48	653.30	703.58
	Deemed High Tension (DHT)				
9	DHT I B	37	43	110.69	111.81
10	DHT II A	1	1	1.49	1.99
11	DHT IV	1	-	2.56	0.72
12	DHT IV A	-	3	-	3.68
	Sub Total	39	47	114.74	118.20

	LT Categories				
13	LT IV A	43	51	9.32	11.38
14	LT IV B	163	160	68.63	68.82
15	LT VI A	2	2	0.72	0.18
16	LT VI B	3	4	0.25	0.28
17	LT VI C	15	18	0.92	2.39
18	LT VI F	53	70	15.49	18.10
19	LT VII A	15	23	1.32	2.70
20	LT VII B	1	1	0.01	0.01
21	LT VIII B	3	3	0.25	0.40
22	LT IX	1	1	0.01	0.04
	Sub Total	299	333	96.90	104.30
	Total	380	428	864.94	926.08

15. The licensee stated in the petition that, the retail rate of supply to HT 1A and LT IVA consumers is lower than the purchase cost, and sales to these categories of consumers comprises of 22.61% of the total sales and hence affecting the net revenue of the licensee adversely. The licensee also submitted that most of the new consumers are in the industrial category and IT Park at Kakkannad is almost saturated which also contributed to the reduction in the average revenue per consumer.
16. On examination the Commission noted that, the actual sale of 926.08 lakh units for the year 2019-20 exceeded the previous year sale of 864.94 lakh units by 61.14 lakh units. Similarly, the number of consumers also increased to 428 in 2019-20 from the level of 380 in 2018-19, i.e., increased by 48 consumers. The Commission further noted that, the consumer category of DHT IV has a consumer in 2018-19. However, in 2019-20 the sale of power from the same category is booked and the number of consumers shows as nil and the consumption pattern of the same has reduced to 28% of the previous year consumption. In the clarification vide letter dated 25-10-2021 the licensee stated that, Consumer category under DHT IV has been changed to DHT IV A as per the Tariff Order dated 08-07-2019. The consumption up to June 2019 has been booked under DHT IV category and after that the consumption has been booked under DHT IVA.
17. The Commission noted that, the major share of the sale is to the HT I B (456.78 lakh units) and HT I A (198.01 lakh units) category which consists of 38 consumers and constitutes about 70.71% of total sale of power. **After examining the details furnished by the licensee, the Commission hereby approves the licensee's energy sales of 926.08 lakh units for the year 2019-20 as per the petition.**

Distribution loss

18. As per the petition, the total energy input is 941.71 lakh units, which is inclusive of 940.32 lakh units of energy purchased from KSEB Ltd and 1.39 lakh units from the Solar plant. The licensee in the petition has claimed the actual distribution loss for the year 2019-20 is 1.66%. In 2018-19, the Commission had approved 1.68% of actual distribution loss claimed by the licensee. While approving the distribution loss of 1.68% in the year 2018-19, the Commission had observed that the licensee has improved the reduction of distribution loss in 2018-19 (i.e., 1.68%) compared to the distribution loss of 1.72% in the year 2017-18. As per the Annexure-C of the petition, the licensee has submitted the area wise details of distribution loss for the year 2019-20. The details of the distribution loss as per the petition are as shown below.

Table 3
Area wise distribution loss claimed for the year 2019-20

Particulars	Infopark & KEPIP, Kakkanad	KINFRA Hi Tech Park, Kalamassery	KIITP, Kanjikode, Palakkad	KINFRA Mega Food Park, Palakkad	Station Auxiliary (Kakkanad & Palakkad)	Total
KSEBL (lakh units)	850.23	47.88	40.66	1.55		940.32
Solar Generation (lakh units)	0.42	0.47	0.50			1.39
Total Purchase (lakh units)	850.65	48.35	41.16	1.55		941.71
Sale (lakh units)	839.87	45.57	39.03	1.41	0.20	926.08
Loss (lakh units)	10.58*	2.78	2.13	0.14		15.63
Loss (%) in 2019-20	1.24%	5.80%	5.24%	9.12%		1.66%
Loss (%) in 2018-19	1.26%	4.47%	11.15%	17.16%		1.68%

* The licensee included Auxiliary consumption units in sale units of Kakkanad for calculation of distribution loss.

19. The licensee has submitted that, the technical losses during the FY 2014-15 and 2015-16 were 3.75% & 2.03% respectively and achieved reduction in T&D loss to 1.77% & 1.72% for the FY 2016-17 and 2017-18 respectively due to the following facts.
- An energy audit was conducted for the Kakkanad area during 2015-16 and corrective measures have been taken on the deviations and root cause of the high T&D loss in the system.
 - The licensee has introduced underground cabling system for the distribution of power in the license area which itself reduces the technical losses
 - By proper routine maintenance, preventive maintenance and shut down maintenance to ensure a safe and reliable operation of the switch gears and the distribution system.

20. According to the licensee, the increasing trend of distribution technical loss above 1.50% is due to the following reasons.
- The area of distribution of power at Kakkanad (110 kV) is 280.126 acres for 316 consumers, at Kalamasserry (11kV) it is 240 acres of land to feed about 81 consumers (estimated), the same is around 350 acres of land at Palakkad (22kV) to feed only 13 consumers and around 79.42 acres of land to feed only 16 consumers at Palakkad at 22KV at Mega Food Park.
 - The transformers are not loaded more than 50% to ensure the back-feeding reliability.
 - The ageing of electrical installations at Kakkanad and Kalamassery area also contributed towards a higher distribution loss.
21. The licensee also submitted that the distribution loss at Kalamasserry and Palakkad will improve on addition of more consumers in the area and KSEB Ltd has agreed in principle to transfer its consumers at KIITP to KPUPL. The licensee also submitted the details of power distribution area, voltage level and consumer strength as shown below.

Table 4
Details of power distribution area, voltage level, consumer strength

Licensee Area	Details	Acres	Voltage Level	No. of Consumers
Kakkanad	1. KEPIP	180.126 acres	110 kV	316
	2. Infopark- phase 1	100 acres		
Kalamassery	KINFRA Hi Tech Park	240 acres	11 kV	81
Kanjikode	KINFRA Integrated Industrial and Textiles Park.	350 acres	22 kV	13
Kanjikode	Kinfra Mega Food Park	79.42 acres	22 kV	16

22. Further in the clarifications submitted by the licensee on 25-10-2021 stated the reason for increasing distribution loss from 4.47% to 5.80% during the year 2019-20 at KINFRA Hi Tech Park Kalamassery. During the year 2019-20, two numbers of HT Consumers were given billing based on average consumption due to fault in the metering system. The metering CT of Consumer No. 126 - Kerala Start Up Mission has become faulty during the month of October 2018 and unmetered power was given to the consumer from October 2018 onwards. The faulty CT was replaced and supply was normalised in May 2019. The metering CT of Consumer No. 145 - Kerala Start Up Mission has also become faulty during the month of May 2019 and unmetered power was given to the consumer from 18-05-2019 onwards. The faulty CT was replaced and supply was normalised on 31-05-2019. During these periods average billing was given

to the consumers. The sale of power during this period appears to have billed on lower side due to the faulty metering system. Due to these reasons, the sale of power during the year 2019-20 has been accounted less and thereby the difference between purchase and sale of power has been increased resulting in increase in distribution loss.

23. The Commission has carefully examined the submissions of the licensee and also noted that area-wise number of consumers and sales units is different with the original petition and the additional clarifications submitted by the licensee. Therefore, the Commission recalculated area wise distribution loss considering the revised area wise sale units. Based on the information furnished by the licensee, the distribution loss is reworked by the Commission is shown below.

Table 5
Revised Area wise distribution loss for the year 2019-20

S.I No	Particulars	Infopark & KEPIP, Kakkanad	KINFRA Hi Tech Park, Kalamassery	KIITP, Kanjikode, Palakkad	KINFRA Mega Food Park, Palakkad	Total
1	KSEBL (lakh units)	850.23	47.88	40.66	1.55	940.32
2	Solar Generation (lakh units)	0.42	0.47	0.50		1.39
3	Total Purchase (lakh units) (1+2)	850.65	48.35	41.16	1.55	941.71
4	Sale (lakh units)	841.37	44.19	39.11	1.41	926.08
5	Loss (lakh units) (3-4)	9.28	4.16	2.05	0.14	15.63
6	Loss (%) in 2019-20 (5/3)	1.09%	8.60%	4.98%	9.03%	1.66%
7	Loss (%) in 2018-19	1.26%	4.47%	11.15%	17.16%	1.68%

24. The Commission noted that, the distribution loss of all phases is revised due to the additional submission of the licensee. The distribution loss of Kakkanad Phase is reduced to the 1.09% from the level of 1.24% and the loss of Kalamassery Phase increased to 8.60% from the level of 5.80%. It is also seen that; the loss level of Kanjikode Phase is reduced to level of 4.98% from the level of 5.24%. The Commission observed that, the licensee is not recording and maintaining the phase wise and area wise details for regulatory purposes. Therefore, it is not possible for the Commission to assess the actual performance of each area.
25. The Commission further noted that, according to the licensee the reason for increasing the distribution loss of Kalamassery phase is the lower side billing of sale of 2 consumers due to faulty metering system. The first metering CT of Consumer No. 126 - Kerala Start Up Mission has become faulty during the month of October 2018 and unmetered power was given to the consumer from October 2018 onwards. The faulty CT was replaced and supply was normalised

in May 2019. The second Consumer No. 145 - Kerala Start Up Mission has also become faulty during the month of May 2019 and unmetered power was given to the consumer from 18-05-2019 onwards. The faulty CT was replaced and supply was normalised in 31-05-2019. Therefore, the period of October 2018 to May 2019 was billed by the licensee on average basis on the first Consumer and 14 days consumption was billed on average basis on the second Consumer. Out of these periods, only two months average sales of first consumer and 14 days average sales of second consumer were reflected in the sale units of 2019-20. The licensee in their clarification has furnished reasons for the higher distribution loss in Kalamassery phase which on a perusal is seen as not relating to the current period. The Commission also note that, the licensee has not provided sufficient justification for the higher distribution of Kalamassery phase.

26. The Commission also noted that, the licensee has estimated the distribution loss based on the total energy input and output (excluding wheeled energy), i.e., the energy wheeled through their system to M/s. TCS Ltd and M/s. Nitta Gelatine (I) Ltd had also not been taken into consideration while estimating the losses. As per the petition, the wheeled energy billed in the year 2019-20 are 0.22 lakh units for M/s TCS Ltd and 15.56 lakh units for M/s. Nitta Gelatine (I) Ltd.
27. The Commission notes that M/s. TCS Ltd and M/s. Nitta Gelatine (I) Ltd are drawing energy from the traded periphery through KPUPL distribution system as open access consumers. As per the additional details furnished by the licensee by email dated 08-11-2021, the input wheeled energy in the KPUPL periphery is 0.21 lakh units for M/s TCS Ltd and 14.54 lakh units for M/s. Nitta Gelatine (I) Ltd. The licensee also stated that, the wheeled energy in the Consumer periphery is 0.19 lakh units for M/s TCS Ltd and 13.81 lakh units for M/s. Nitta Gelatine (I) Ltd. Based on the information furnished by the licensee, the distribution loss is reworked as shown below:

Table 6
Distribution loss after considering Wheeled Energy

Particulars	
Energy Purchased from KSEB Ltd and Self-Solar generation (lakh units)	941.71
Wheeled Energy input (lakh units)	14.75
Total Energy Input (lakh units) (A)	956.46
Energy Sales (lakh units)	926.07
Wheeled Energy Sales (lakh units)	14.00
Total Energy Output (lakh units) (B)	940.07
Distribution Loss (lakh units) (A – B)	16.39
Distribution Loss % (16.39/956.46 *100)	1.71%

28. As per the Commission's calculation shown above, the actual distribution loss reported by the licensee for the year is 1.71%, whereas the loss approved by the Commission for the year 2018-19 was 1.68% (Excluding wheeled energy). The Commission also noted the fact that there is a marginal reduction of 0.02% in the distribution loss if not considering the wheeled energy in 2019-20 when compared to 2018-19. As a general rule, distribution loss is a controllable parameter and any relaxation in the target will affect the efficiency of the licensee. But it is a fact that the licensee had made efforts to reduce the distribution loss. The Commission noted the fact of vast areas at Kalamasserry, Kanjikode and in Kinfra Mega Food Park and the meagre number of consumers available there. Further, considering the issue of technical minimum, ensuring back feeding reliability, equipment ageing, etc. the Commission has decided to allow the actual distribution loss of 1.71%. However, the licensee shall continue its efforts on a regular basis to increase its consumers in Kalamassery and Kanjikode and through appropriate and timely technical solutions and R&M measures strive to achieve the target set for this parameter.
29. **Accordingly, the Commission hereby approves the distribution loss of 1.71% for the year 2019-20 and hereby direct that the licensee shall maintain the phase wise/ area wise details of energy input and output (including wheeling energy) for regulatory purposes.**

Power Purchase Cost

30. The power purchase cost as per the petition of Truing Up of Accounts is Rs.6330.51 lakh for the year 2019-20. The claim amount of Rs.6330.51 lakh of the licensee included power purchase from KSEB Ltd (Rs.6209.42 lakh), Own generation (Solar) (Rs.5.11 lakh) and provision for Renewable Power Obligation (Rs. 115.98 lakh). The split up of power purchase cost for the year 2018-19 & 2019-20 are tabulated below.

Table 7
Power Purchase cost for the year 2018-19 and 2019-20 as per the Petition

Particulars	Unit	2018-19	2019-20
		As per Truing Up petition	As per Truing Up petition
Contract Demand	kVA	21200	21200
Maximum Demand	kVA	17224	21003
Excess Demand (kVA)	NIL	NIL	NIL
Units Purchased	lakh units	879.75	940.32
Fixed Charges (Demand Charges)	Rs. lakh	648.73	775.71
Variable Charges (Energy Charges)	Rs. lakh	4926.35	5433.71
Solar generation (Self)	Rs. lakh	0.43	5.11

Renewable Power Obligation	Rs. lakh	89.78	115.98
TOTAL	Rs. lakh	5664.87	6330.51
Average Rate	Rs. unit	6.44	6.72

31. The licensee requested in the petition, to approve Rs.6330.51 lakh towards purchase of power for the year 2019-20 including the liability provision of Rs.115.98 lakh for provision of renewable purchase obligation for 2019-20. The licensee also submitted area-wise details of power purchase during 2019-20 as Annexure-B of the petition is shown below.

Table 8
Area-wise Power Purchase Cost for the year 2019-20

		Kakkanad	KINFRA Hi Tech Park, Kalamassery	KINFRA IIT Park, Kanjikode, Palakkad	KINFRA Mega Food Park, Kanjikode
Contract Demand	(kVA)	18000	1500	1000	300
Maximum Demand	(kVA)	17990	1391	1337	285
Excess Demand	(kVA)	0	0	337	0
Total Demand Charges (A)	Rs. lakh	672.32	50.99	43.33	9.07
Total Energy Charges (B)	Rs. lakh	4912.85	276.90	235.12	8.84
RPO Purchase, if any (C)	Rs. lakh	5.11	0	0	0
Any Other Charges (D)	Rs. lakh	0	0	0	0
Cost of Power Purchase (A + B + C + D)	Rs. lakh	5590.28	327.89	278.45	17.91
Total Cost	Rs. lakh	6214.53			

32. Regarding the Commission's direction to reconcile the power purchase figures of previous years with KSEB Ltd, the licensee submitted that the purchase data of the Kakkanad license area is matching with the records of KSEB Ltd and the reconciliation of purchase data of Kalamassery license area with KSEB Ltd records is in progress. In the clarification the licensee further stated about the reason for variable cost of Rs.3.66/ unit booked as solar generation tariff. The licensee adopted the generic tariff of Rs.3.66 per unit for the solar generated power as per KSERC (Renewable Energy and Net metering) regulations 2020.
33. The Commission examined the claim of the licensee for the solar self-generation of Rs 5.11 lakh and Renewable power obligation of Rs.115.98 lakh as part of power purchase cost. The Commission noted that, as per KSERC (Renewable Energy and Net metering) regulations 2020 the generic tariff of Rs.3.66 per unit (Generic Tariff - for 25 years without the benefit of accelerated depreciation) is for the solar projects having capacity of and below 5 MW for the FY 2019-20. The Commission also noted that in the case of solar power generation, apart from the claim under power purchase cost, the licensee has claimed

- depreciation, interest on loan etc for the capital expenditure incurred for the installation of solar power plant. Since the licensee has claimed depreciation, interest on loan and other benefits for the capital expenditure of solar power installations, the licensee is not eligible for power purchase cost for solar self-generation. The licensee cannot claim both the benefits. **Hence the licensee's claim of Rs.5.11 lakh towards cost of solar self-generation is not approved.**
34. As regards the claim towards Renewable Power Obligation, it is further clarified that no expenditure on purchase of RE Certificate for meeting this obligation has been incurred by the licensee during the year. Hence, this expense can be considered only on production of proof of purchase on this account. The Commission also noted that, there is a slight variation of 0.90 lakh units purchased from KSEB Ltd (As per the records of KSEB Ltd the units purchased is 940.30 lakh and the same recorded by the licensee is 939.40 lakh units). This difference is required to be reconciled. The Commission has considered only the actual power purchase cost of Rs.6209.42 lakh (excluding the provision of Rs.115.98 lakh as the RPO obligation and Rs.5.11 lakh as the claim towards the solar generation cost) for the power purchased from KSEB Ltd for the year 2019-20.
35. **Based on above and the approved distribution loss of 1.71%, the Commission hereby approves Rs.6209.42 lakh as power purchase cost for the year 2019-20. Regarding the reconciliation of power purchase details with KSEB Ltd., the Commission has already directed in the Truing Up Order dated 11-11-2021 and give the time of three months from the Order. The Commission reiterates the need of reconciliation of power purchase with the records of KSEB Ltd and directs that the same shall be submitted to the Commission within 3 months of the date of this Order.**

Operation & Maintenance Expense

36. As per Regulation 12(2) of the Tariff Regulations 2018, the Operation and Maintenance expenses are controllable expenses. Further, as per Regulation 79(4) of Tariff Regulations 2018, KPUPL shall be allowed to recover Operation & Maintenance expenses as per the norms specified in Annexure-IX to the Regulations for each year of the Control Period. The norms for Operation & Maintenance Expenses of the distribution business of the licensee for the year 2019-20 is Rs.151.26 lakhs and the licensee has claimed Rs.273.47 lakh as Operation & Maintenance expenses. Hence the actual expense claimed by the licensee is higher (Rs.122.21 lakh) than the level specified in the Regulations. The Commission had approved Rs.181.70 lakh towards O&M expenses in the Truing Up petition for 2018-19. The comparison of the claim made by the licensee and the amount approved in the Regulations is tabulated hereunder.

Table 9
Comparison of the O&M Expenses for 2018-19 and 2019-20

Particulars	2018-19		2019-20	
	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Regulations (Rs. lakh)	As per Truing Up petition (Rs. lakh)
Employee Cost	54.65	52.13	40.03	76.05
A&G Expenses	123.57	51.46	38.83	108.81
R&M Expenses	78.11	78.11	72.40	88.61
Total	256.33	181.70	151.26	273.47

37. From the above, it can be seen that the Operation & Maintenance expenditure has increased by Rs.17.14 lakh to Rs.273.47 lakh in 2019-20 from the actual claim of Rs.256.33 lakh in 2018-19. Compared to previous year 2018-19, the actual employee expense and R&M expenses are increased by Rs.21.40 lakh and Rs.10.50 lakh in 2019-20. Each component of the Operation & Maintenance Expense is taken up separately for analysis.

Employee cost

38. In the petition for the truing up of accounts, the licensee has claimed an amount of Rs.76.05 lakh as employee cost for the year 2019-20 against the amount of Rs.40.03 lakh approved in the Regulations as employee cost for carrying out the distribution business. The licensee submitted that only Chief Executive Officer and one Accounts Officer were engaged on regular role and rest of the technical and administrative staff were outsourced to keep the employee cost on lower side. The actual employee cost for the year 2019-20 is Rs.76.05 lakh which is higher (Rs.21.40 lakh) than the previous year level of Rs.54.65 lakh. The details of employee cost for the year 2018-19 and 2019-20 shown below.

Table 10
Employee Cost for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20
	As per Truing Up Petition (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employees on regular role (CEO & AO only):		
Basic Pay	2.49	27.30
Dearness allowance (AO)	4.70	5.58
Consolidated pay (CEO)	6.00	
PF, leave encashment & other allowances	3.14	4.61
Bonus	0	0
Sub Total	16.33	37.49
Manpower outsourced for support functions	38.32	38.56
Total Employee Cost	54.65	76.05

39. The licensee stated that, the CEO has been paid a consolidated pay of Rs.50,000/- per month since 21-12-2015, pending fixation of pay by Government of Kerala. Now, GoK has fixed the pay of CEO as Rs. 87,509/- per month and accordingly, the arrears from 21-12-2015 to 31-03-2020 has been worked out and included in the basic pay. As per form D 3.4(a) of the petition shows that, staff welfare expenses paid during the year 2019-20 is Rs.1.51 lakh and in 2018-19 it was Rs.0.29 lakh. Compared to previous year there is an increase (Rs.1.22 lakh) of 421% in staff welfare expenses. The licensee vide clarification dated 25-10-2021 stated that, the increase was due to an expenditure paid by Kinfra and debited to KPUGL on account of payment of two years medical insurance premium (2017-18 & 2018-19) for the coverage of medical insurance of a regular employee.
40. The Commission has examined the admissibility of the actual employee cost and also the amount arrears of CEO salary considered as prior period expenses. The CEO salary of Rs.0.87 lakh/ month was fixed by the Govt of Kerala vide order No. G.O.(Rt) No.400/2020/ID dated 10-06-2020. The licensee has also submitted the year wise net salary payable to the CEO due to fixation of salary by the Govt. The details are shown below.

Table 11
Arrears of Salary for the period December 2015 to March 2020

Year	Due Amount Rs. lakh	Drawn Amount Rs. Lakh	Net Payable Rs. lakh
2015-16	2.94	1.68	1.26
2016-17	10.50	6.00	4.50
2017-18	10.50	6.00	4.50
2018-19	10.50	6.00	4.50
2019-20	9.81	5.61	4.21
Total	44.25	25.28	18.97

41. The Commission observed that, the total employee cost of Rs.76.05 lakh included an amount of Rs.18.97 lakh as arrears of CEO salary for the period of 21-12-2015 to 31-03-2020. It is noted that, the net employee cost for 2019-20 after deduction the pay arrears of CEO is only Rs.57.08 lakh. The Commission is of the opinion that the impact of arrears of salary due to fixation of salary by the Govt with effect from December 2016 to 31-03-2019 can be allowed as a prior period expense and salary arrears for the year 2019-20 as current year expense. **Accordingly, the Commission hereby approves the actual amount of Rs.18.97 lakh as arrears of salary as a one-time payment apart from the employee cost for the year 2019-20. Out of these Rs.14.76 lakh treated as prior period item and Rs.4.21 lakh treated as current year expense.**

42. The licensee was also directed vide the Order dated 29-03-2021 to file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number engaged in shifts, etc. to arrive at the optimal employee strength within three months of that Order. The licensee has not so far complied with the directions of the Commission. Instead, they have submitted the instant petition stating that the licensee is in the process of manpower planning and they have requested the Government of Kerala through KINFRA to create vacancies and to fill the same with experienced and qualified personnel.
43. Therefore, the Commission notes that the licensee has not complied with the directions regarding the number of employees. The Commission has already given a last opportunity of three months from the Order dated 11-11-2021 to comply with this direction. The Commission has further noted that the number of regular employees is limited to just 2, i.e., CEO and AO. All other manpower is outsourced. This is not the best of situation considering that the qualifications, experience and number of outsourced staff deployed for various functions are unknown. ***This has to be rectified on priority basis. Hence the Commission hereby approves the employee cost of Rs. 54.65 lakh (last year approved cost of Rs.52.13 plus the escalation rate of 4.84%) for the year 2019-20.*** The total employee cost approved for the year 2019-20 is shown below.

Table 12
Approved employee cost for the year 2019-20

Particulars	Rs. lakh
Employee cost for the year 2019-20	54.65
Current year cost due to fixation of salary of CEO	4.21
Prior period CEO arrears	14.76
Total	73.62

44. ***Accordingly, the Commission approves Rs.73.62 lakh as Employee cost for the year 2019-20 including Rs.14.76 lakh on account of pay arrears of the CEO.***

A & G Expenses

45. The A & G expense claim for the year 2019-20 is Rs.108.81 lakh. In the last year 2018-19 an amount of Rs.123.57 lakh claimed under A & G expense and the Commission had approved only Rs.51.46 lakh vide Truing Up Order dated 11-11-2021. The major claim booked under A&G expense are towards Rents & taxes, other professional charges, vehicle running expenses, Electricity Duty u/s 3 paid and licensee fee and other related fee amounting to Rs.13.03 lakh,

Rs.6.13 lakh, Rs.7.12 lakh, Rs.55.54 lakh and Rs.10.31 lakh respectively. A comparison of the A&G expenses over the years is tabulated below.

Table 13
Administrative & General Expenses for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20	Increase/ Decrease over the previous year
	As per Truing Up Petition (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	
Rent Rates & Taxes	13.04	13.03	-0.08%
Insurance	1.06	1.54	45.28%
Telephone & Postage, etc.	0.35	0.66	88.57%
Legal charges	0.01	3.30	32900.00%
Audit Fees	1.49	1.62	8.72%
Other Professional charges	5.91	6.13	3.72%
Conveyance / Travelling Expense	1.30	0.93	-28.46%
Vehicle Hiring Expenses Truck / Delivery Van	7.42	7.12	-4.04%
Electricity charges	0.93	0.72	-22.58%
Entertainment	0.72	0.46	-36.11%
Printing & Stationery	1.41	0.98	-30.50%
Contribution/Donations	20.30	0.30	-98.52%
Training expenses/ Stipend	3.63	2.90	-20.11%
Miscellaneous Expenses	0.73	1.54	110.96%
Electricity duty u/s.3 paid	51.81	55.54	7.20%
Purchase Related Advertisement Expenses	0.34	-	
Office Expenses	0.42	0.68	61.90%
License Fee and other related fee	11.81	10.31	-12.70%
Others	0.89	1.05	17.98%
Total	123.57	108.81	-11.94%

46. The petitioner submitted that the distribution areas under KPUPL are spread over at different locations at Kakkanad, Kalamassery and Palakkad which incur more administrative expenses due to nearly 150km distance from Head office to Palakkad license area. The expenses include unavoidable items like professional fees to internal auditor, cost auditor, company secretary, etc. The licensee further submitted that they have taken all possible measures to keep the A & G expenses to the minimum. The measures are following.

- (a) Non-payment of sitting fees to the Board members.
- (b) Avoided expenses for conducting meeting of the Board members by shifting the venue to KINFRA office.
- (c) Non-payment of Dividend to shareholders in spite of making profit.

47. The Commission vide letter dated 08-10-2021 sought clarifications regarding items under A&G. The licensee vide letter dated 25-10-2021 furnished the detailed split-up of the expenses and the justifications, which are given as below.
- A. **Legal charges of Rs.3.30 lakh:** - The legal charges increased from Rs.0.01 lakh in 2018-19 to Rs.3.30 lakh in 2019-20. The licensee submitted that, the fess was paid to a senior advocate for legal advice and appearing before the Commission for the truing up petitions from 2004-05 to 2014-15 for making good the deficiencies of earlier filings.
 - B. **Contribution/ Donation of Rs. 0.30 lakh:** - The amount of Rs.0.30 lakh paid to a professional body (Swadeshi Science Movement, Kerala) on the occasion of the exhibition "Swasraya Bharat 2019" for promotion of Science and Technology.
 - C. **Miscellaneous charges of Rs.1.54 lakh:** - An amount of Rs.1.54 lakh was short paid against GST for the year 2019-20 against which provision has been given in books based on the report of Internal Auditors
 - D. **Other professional charges of Rs.6.13 lakh:** - Professional service of a Practicing Company Secretary was taken on retainment basis at a monthly remuneration of Rs.0.12 lakh plus GST for statutory compliance as required as per Companies Act. Further, services of practicing chartered/cost accountants were engaged for internal audit, GST audit, tax return filings, preparation of truing up petitions and for cost audit.
 - E. **Vehicle Hiring Expenses of Rs.7.12 lakh:** - One Car is hired by the Company for the use of CEO and for the common purpose of the distribution business which is located at different places like Kakkanad, Kalamassery and Palakkad and for attending to the official meetings at Trivandrum.
 - F. **Rent Rates & Taxes of Rs. 13.03 lakh:** - KPUPL is not having any own office premises at any place. Minimum required office space is hired from Kinfra Park Office at Kakkanad and the amount shown under A&G Expenses is for the entire year 2019-20.
 - G. **Training Expenses and Stipend of Rs.2.90 lakh:** - One Management Trainee and an Apprentice Trainee were engaged through Kinfra for part period during the year to support the technical functions. The expenditures were incurred on account of the payment of remuneration to the traiees.
48. The Commission examined the details furnished by the licensee. the licensee has claimed an amount of Rs.55.54 lakh paid as Electricity Duty u/s 3. The Commission in the previous Truing Up Orders had stated that duty under Section 3 cannot be passed on to the consumers in view of the statutory provisions of the

Kerala Electricity Duty Act, 1963. Accordingly, the amount paid towards Electricity Duty is not admissible. The Commission further notes that, the A&G expenses excluding Section 3 Duty of Rs.55.54 lakh is only Rs.53.27 lakh (Rs.108.81 lakh- Rs.55.54 lakh). The total A&G expense has increased by only at rate of 3.52% compared to previous year trued up value of Rs.51.46 lakh, i.e., Rs.1.81 lakh (Rs.53.27 lakh – Rs. 51.46 lakh).

49. **Considering the details furnished by the licensee as above, the Commission hereby approves the amount of Rs.53.27 lakh as the Administrative and General expenses for the year 2019-20.**

Table 14
Approved Administrative & General Expenses for the year 2019-20

Particulars	2018-19	2019-20	
	Trued Up (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Rent Rates & Taxes	13.04	13.03	13.03
Insurance	1.06	1.54	1.54
Telephone & Postage, etc.	0.35	0.66	0.66
Legal charges	0.01	3.30	3.30
Audit Fees	1.49	1.62	1.62
Other Professional charges	5.91	6.13	6.13
Conveyance / Travelling Expense	1.30	0.93	0.93
Vehicle Hiring Expenses Truck / Delivery Van	7.42	7.12	7.12
Electricity charges	0.93	0.72	0.72
Entertainment	0.72	0.46	0.46
Printing & Stationery	1.41	0.98	0.98
Contribution/Donations	-	0.30	0.30
Training expenses/ Stipend	3.63	2.90	2.90
Miscellaneous Expenses	0.73	1.54	1.54
Electricity duty u/s 3 paid	-	55.54	-
Purchase Related Advertisement Expenses	0.34	-	-
Office Expenses	0.42	0.68	0.68
License Fee and other related fee	11.81	10.31	10.31
Others	0.89	1.05	1.05
Total	51.46	108.81	53.27

R & M Expenses

50. The licensee has claimed Rs.88.61 lakh towards R&M expenses for the year 2019-20. During 2018-19, the Commission had approved an actual claim amount

of Rs. 78.11 lakh as R&M expenses. The details of claim submitted by the licensee in Annexure-F are shown below.

Table 15
R&M expenses for the year 2019-20

Particulars		Rs. lakh
Operation and Maintenance: SS at Kakkanad		42.88
Operation and Maintenance: Kalamassery LA		18.66
Operation and Maintenance: SS at KIITP, Kanjikod		16.18
Operation and Maintenance: Kinfra MFP Kanjikode		2.47
Repairs/ Break-down maintenance:		
Kakkanad	4.41	
Kalamassery	0.99	
KIITP, Palakkad	1.97	
Kinfra Mega Food Park, Kanjikode	-	
Spares & Consumables	1.03	
Sub Total		8.40
Repair and Maintenance: Building, Office Eqpts/ Furniture & fixtures etc		0.03
Total		88.61

51. The licensee stated that, major part of R&M Expenses was incurred for the operation and maintenance of the sub-stations and this contract was awarded through proper tendering process. As per the licensee, there are 110 kV, 22 kV and 11 kV substations spread at different locations. The licensee further submitted that, the operation and maintenance of substations are carried out with qualified personnel as specified in CEA Manual relating to Safety & Electric Supply Regulations 2010, and the licensee is using 11KV RMUs and UG cabling system with ring mains for supplying uninterrupted power to the areas. Further, according to licensee there has been an increasing trend of expenditure because of the limited competition in bidding for contracts of such small magnitude spread of three locations. Hence, the licensee requested to approve the claim considering the justification given.
52. The Commission sought the split-up details (Area wise) of Repairs and Breakdown maintenance of Rs.8.40 lakh claimed under the head of R&M. In the clarification the licensee submitted the detailed split up of Rs.8.40 lakh. The details are shown below.

Table 16
Area wise details of Repairs and Breakdown maintenance

Particulars	Details of major maintenance done	Rs. lakh
Kakkanad	Oil leakage rectification and hot oil circulation of TELK make 20MVA, 110/11KV, Transformer at 110KV substation, Kakkanad.	1.84
	Repair of 110KV Bay-2 SF6 Circuit Breaker at 110KV Substation, Kakkanad	0.79
	Shifting of 25KVA DG Set from Kinfra Hitech Park Kalamassery to Kinesco 110KV Substation, Kakkanad.	0.19
	Retrieving and re-routing of power distribution network in connection with RMU Installation at KEPIP, Kakkanad.	0.42
	Filtration of 2000 litre of transformer oil	0.26
	Paid to SP Engineers towards Oil leakage rectification of 10/12.5 MVA, 110/11 KV substation, Kakkanad	0.45
	Overhauling of OLTC of 110/11 KV 12.5 MVA transformer no.1 of 110KV s/s Kakkanad.	0.23
	Leakage rectification of 4No. 110 KV CT at 110KV s/s, Kakkanad.	0.16
	Other minor works including hiring of crane	0.07
	Sub Total	4.41
Kalamassery	Dismantling, shifting, installation, commissioning of existing LT Panel, retrieving and rerouting of distribution cable network at KINFRA HI TECH PARK, Kalamassery.	0.86
	Being servicing of 315kva Cast Resin Transformer at Kalamassery sub station and being labour charge for renewing 11KV AB switch, Lightning arrestor, jumper connection and earthing wire etc.	0.13
	Total	0.99
KIITP, Palakkad	Being the work of Dismantling of HT/LT PSC Poles and lines including stacking the same at stock yard.	0.19
	Being emergency maintenance work at KIITP, Kanjikode by Power Best Electricals.	0.71
	Being emergency maintenance work for the damage occurred to Kinesco distribution cable network at KIITP, Palakkad	0.93
	Other minor works	0.13
	Sub Total	1.97
Kinfra Mega Food Park, Kanjikode		0.00
Spares & Consumables	Design, fabrication, supply & Installation of Road Sign Board for KINESCO.	0.19
	Paid towards purchase of cleaning materials for pre-monsoon maintenance works at Kakkanad.	0.20
	Paid to St. George Industries towards purchase of CT inter connection copper busbar at Kalamassery.	0.04
	Purchase of Philips LED Tube & Bajaj 36W Tube at Kakkanad.	0.04
	Purchasing of plumbing materials & Wash basin etc for the maintenance work of Kinesco office toilet & labour charge.	0.08

	Reimbursement of cost of materials purchased in connection with coding of assets	0.06
	Cost of door closer & name board	0.03
	Other minor maintenance spares like cable, switches, tube lights etc	0.09
	Office stationery including printing paper etc	0.31
	Sub Total	1.03
	Total	8.40

53. The Commission has carefully examined the submissions of the licensee and noted the repairs and maintenance expenditure is increased by Rs.10.50 lakh to Rs.88.61 lakh from the level of Rs.78.11 lakh of last year 2018-19. In 2018-19, the licensee booked an amount of Rs.5.16 lakh as reversal of excess provision of expenditure. Therefore, the actual increase of 2019-20 is only Rs.5.34 lakh (88.61- [78.11+5.16]) compared to the previous year.
54. The licensee further stated that, the increasing trend of expenditure because of the limited competition in bidding for contracts of such small magnitude spread of three locations. The Commission examined the argument of the licensee with the submission of the licensee towards the O&M contract details. The details are shown below.

Table 17
O&M Contract details for the year 2018-19 and 2019-20

Item	M/s. Electroteck Engineers		M/s. Sterling and Wilson Ltd		M/s. Geresh Electricals Pvt Ltd	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	Annual Value	Annual Value	Annual Value	Annual Value	Annual Value	Annual Value
O&M of 110KV Substation - Kakkanad & HT & LT Distribution System at Kakkanad Licensee Area						
O&M of 11 KV Substation - Kalamassery & HT & LT Distribution System at Kalamassery Licensee Area	84.66	69.58	72.20	67.60	69.42	73.50
O&M of 22 KV Substation - KIITP, Kanjikode & HT & LT Distribution System at KIITP, Kanjikkode Licensee Area						

55. The Commission has examined the contentions of the licensee that, in 2018-19 work was awarded to the M/s. Geresh Electricals Pvt Ltd after final negotiation at contract value of Rs.69.42 lakh and in 2019-20 work was awarded to M/s. Sterling & Wilson Pvt Ltd, being the lowest bidder in the tender, at contract value of Rs.67.60 lakh.

56. The licensee has repeatedly argued that increasing trend of expenditure is due to limited competition of bidding contracts. However, this statement of the licensee is contrary to the submission of the licensee. The Commission also noted that in Kakkanadu area itself there are 3 more distribution licensees. Hence, it will be worthwhile for any R&M contractor to consolidate his resources and offer attractive rates. To this end, ***the Commission hereby directs the licensee to explore the possibility of floating a joint/consolidated O&M tender with the other licensees located at Kakkanad. Hence, the Commission rejects such arguments by the licensee.*** As per the provisions of the Regulations, R&M expenses are controllable. The Commission has examined the submission of the licensee and appreciates the fact that the O&M contract cost has reduced to Rs.67.60 lakh in 2019-20 from the level of Rs.69.42 lakh in 2018-19. However, the overall R&M cost has increased from Rs.83.27 lakh (considering the reversal of excess provision of expenditure of Rs.5.16 lakh) in 2018-19 to Rs.88.61 lakh in 2019-20.
57. However, the licensee shall continue its efforts to reduce the repairs & maintenance cost, wherever possible by exercising proper controls as these expenses are controllable in nature. ***Hence, the Commission is of the opinion that the actual cost of Rs. 88.61 lakh incurred by the licensee can be allowed and accordingly approves Rs.88.61 lakhs as Repairs & Maintenance expenditure for the year 2019-20.***

O&M Expenses Approved

58. ***The O&M expenses, which includes Employee costs, R&M expenses, and A&G expenses, total into Rs.215.50 lakh is approved by the Commission for the year 2019-20.***

Table 18
O&M Expenses approved for 2019-20

Particulars	As per Regulations (Rs. lakh)	As per Truing Up petition (Rs. lakh)	Trued Up (Rs. lakh)
Employee Cost	40.03	76.05	73.62
A&G Expenses	38.83	108.81	53.27
R&M Expenses	72.40	88.61	88.61
Total	151.26	273.47	215.50

Asset Additions during the year 2019-20

59. The licensee had filed a separate petition on 25-10-2017 before the Commission for approval of the Capital Addition Plan for the period 2017-18. The Commission, after conducting public hearing on 07-02-2018 vide Daily Order dated 21-02-2018 directed the petitioner KPUPL to submit a proper petition for capital investments, strictly as per the directions of the Regulations 72 of the

Tariff Regulations, 2014 with supporting documents. Subsequently, the licensee filed a revised petition vide letter dated 20-02-2018 for the approval of Capital Investment of Rs.339.00 lakh instead of Rs.405.00 lakh in the original petition. The Commission vide Order dated 28-05-2018 had approved only the replacing of the three faulty CTs at a total cost of Rs. 4.68 lakh out of the total plan of Rs.339.00 lakh.

60. The licensee thereafter submitted before the Commission, a fresh Capital Investment plan for the MYT Control Period 2018-19 to 2021-22 in the revised ARR-ERC petition on 15-06-2020. The first hearing on the petition was conducted on 22-06-2020. The Commission during the second hearing held on 17-09-2020 observed that there is no point in issuing ARR Order for the year 2018-19 and 2019-20 as these periods are already over and hence directed the petitioner vide Daily Order dated 01-10-2020 to file the Truing Up petitions for the year 2018-19 by 30-11-2020 and for the year 2019-20 by 31-12-2020.
61. In the Truing Up petition 2019-20, the licensee has spent Rs.69.87 lakh and the same has been claimed as additional capital expenditure. The details of the additional capital expenditure claim by the licensee during the year 2019-20 are shown below.

Table 19
Assets Addition claimed during the year 2019-20

SI No	Description of Asset	UOM	Qty	Rs. lakh
1	Development work of sub-station road (proportionate cost transferred by KEPIP)	LS	LS	12.17
2	Visitors' chair (steel 3-seater)	No	2	0.11
3	TOD meters	No		1.02
4	TOD metering panel (KIITP/MFP)	LS		0.54
5	Mobile phone for Palakkad area section	No	1	0.01
6	HP Laptop Battery	No	1	0.03
7	Procurement of PCs & peripherals	No	2	1.52
8	Solar Generating plant at Kakkanad & Kalamassery	kWp	70	35.68
9	Supply of Lightning Arrestor	No	1	0.05
10	Installation of DP structure with fuse unit at MFP	No	1	0.59
11	Tools for sub-station at Kakkanad	LS		0.09
12	Supply & installation of RMUs at Kakkanad	LS		15.72
13	Purchase of CT/PT and GI supports	LS		1.86
14	Purchase of 11KV Cast Resin 90/5A 0.2s class CT for Kalamassery	No	1	0.48
	Total amount			69.87

62. The Petitioner submitted that, certain essential capital expenditures were to be incurred by KPUPL to meet the technical necessities of the plant and to comply with the commitments given to the statutory authorities like Electricity Inspectorate. The licensee further submitted that, as committed to the Commission on various occasions on the compliance of RPO obligation, as a first step to meet the obligation, KPUPL had taken the initiative to implement solar energy plants on roof-top of their sub-stations. The licensee stated that, the Item at SI No.1 i.e., 'Development of sub-station road' was part of the common developmental works undertaken by KEPIP and transferred to KPUPL, which was necessitated for better approach on emergency like flash over during lightening, to the 110 KV sub-station at Kakkanad. Further submitted that, the SI No.8 i.e., installation of solar plant in three parks was an initiative to meet the obligation under RPO as directed by the Commission and to meet the requirements as per the provisions of KSERC (Renewable Energy) Regulations 2015. The SI No.12, RMUs, is incurred for meeting the technical requirement of Chief Electrical Inspector, Govt. of Kerala and all other items of asset addition are below the limit of Rs.5.00 lakh.
63. The Commission had in the Truing Up Order dated 11-11-2021 approved the capital expenditure proposal of Rs. 60.77 lakh towards 110 KW roof top grid connected solar power plant to meet the RPO obligation of the licensee and the capital expenditure proposal of Rs. 58.25 lakh towards the replacement of 16 Nos of RMUs. Out of these capital expenditures the Commission has already approved the part capitalisation amount of Rs.23.25 lakh towards solar power plant and Rs.56.30 lakh as RMUs in 2018-19. In 2019-20, licensee has claimed Rs. Rs.35.68 lakh towards solar plant and Rs.15.72 lakh towards RMUs. In 2018-19 the licensee stated that, the total cost of the project for replacement of 16 Nos of RMUs is Rs.58.25 lakh (extra GST applicable). Out of this Rs.56.30 lakh incurred in 2018-19 and balance amount of Rs.1.95 lakh is for 2019-20. The Commission sought the clarification on the additional amount of Rs.13.77 lakh (Rs.72.02 lakh - Rs.58.25 lakh) claimed during the year 2019-20.
64. The licensee also submitted detailed justification for each item of capital expenditure incurred during 2019-20 in Annexure- 'H' of the petition. As the item No. 1, 8 & 12 requires detailed examination, these items are taken up first for analysis.

A. Development work of sub-station road- Rs. 12.17 lakh

65. The licensee submitted that, CEO of KINESCO requested to Civil Section of KINFRA Export Promotion Industrial Park (KEPIP) to construct a new road entry to 110KV extended yard at KINESCO 110KV Substation, Kakkanad for facilitating entry of heavy machines like Crane, JCB etc. during maintenance for

easy access to equipments. Some loading cover slabs for existing trenches are also needed to be constructed for enabling entry to heavy equipments. It was suggested to take up these works by civil department of KEPIP along with similar works in order to ensure the quality of work. The licensee further stated that, the proposed work was executed by KEPIP and proportionate cost paid to KEPIP by the licensee.

66. The Commission has examined the submissions of the licensee in detail and noted the circumstances under which the project was implemented. Considering the necessity of the work, the Commission is of the view that the Capital expenditure proposal of Rs.12.17 lakh towards development work of sub-station road can be approved. ***Accordingly, the Commission hereby approves the proportionate cost paid to KEPIP by the licensee of Rs.12.17 lakh towards development work of sub-station road.***

B. Solar Generating plant at Kakkanad & Kalamassery

67. The Commission has already approved the capital expenditure proposal of Rs. 60.77 lakh towards 110 KW roof top grid connected solar power plant to meet the RPO obligation of the licensee in the Truing Up Order dated 11-11-2021. Out of these capital expenditures the Commission has already approved the part capitalisation amount of Rs.23.25 lakh towards solar power plant in 2018-19. In 2019-20, licensee has claimed Rs. Rs.35.68 lakh towards this as final payment. ***Accordingly, the Commission hereby approves the final payment of Rs.35.68 lakh towards Solar Generating plant at Kakkanad & Kalamassery***

C. Supply, installation, testing, commissioning & handing over of 11KV RMUs – Part Payment – Rs. 15.72 lakh

68. The licensee submitted that, the contract was awarded to the L1 bidder in the year 2018 for Rs.58.25 lakh excluding GST as a turn-key contract for supply and erection of RMUs at various license areas of KPUGL. Supply of RMUs were executed on time in the year 2018-19, but civil work for the foundation which was not in the scope of the contract was delayed due to local site conditions and hence the installation also. The year-wise details of the amount paid and booked under Capital work-in-progress and subsequently capitalised in each year is shown as Annexure-J of the clarifications. The details these capitalisations are shown below.

Table 20
Capitalisation details of RMU installation

RMU No	Qty Nos	RMU Cost (Rs. lakh)	Cost of foundation	Coupling	Termination	Total amount for capitalisation	Capitalised during 2018-19	Capitalised during 2019-20
RMU-1	2	8.08	0.26	0.68	0.38	9.39	8.47	0.92
RMU-2	1	3.56	0.13	0	0.41	4.10	3.83	0.27
RMU-3	2	11.05	0.38	0.68	0.63	12.75	11.43	1.31
RMU-4	1	4.96	0.19	0	0.38	5.53	5.15	0.38
RMU-5	2	7.79	0.19	0.68	0.38	9.04	7.98	1.06
RMU-7	1	4.38	0.13	0	0.25	4.76	4.51	0.25
RMU-8	1	5.66	0.19	0	0.25	6.11	5.86	0.25
Spare	1	2.41	0	0	0	2.41**	0	0
Spare	1	3.41	0	0	0	3.41**	0	0
RMU-TIC	2	9.07	0	0.68	0.25	10.01	9.07	0.94
RMU-Bash P	2	8.08	0.47	0.68	1.11	10.34	0	10.34
Total	16	68.45*	1.94*	3.42*	4.04*	77.85*	56.30*	15.72*

* Inclusive of GST

** Issued to Consumers

69. The licensee has also submitted detailed justification for associated works related to installation of RMUs. The licensee stated that, these associated works are the integral part of installation of RMUs but not included in the tender for supply of RMUs and associated works were separately tendered by the licensee. The details of the works are explained below.

I. RMU Foundation civil works

70. The licensee submitted that, licensee has proposed to replace the existing 11KV feeder pillars with 11KV RMUs at KIITP, Kanjikode licensee area using the same foundation of feeder pillar. But during the execution, it was noticed that the feeder pillar foundations were in tilted condition and modification in these foundations were futile. Since the RMUs are heavier compared to 11KV feeder pillars, compaction of excavated soil surface required to avoid settling. Therefore, it was decided to construct new foundations for the newly procured RMUs at suitable places so that the changeover of supply from 11VK feeder pillars to new RMUs can be effected with minimum interruptions. The licensee further stated that, the foundation work of the RMU at KIITP, Kanjikode and Kakkanad area was invited through the competitive tenders. After the tendering process, the licensee has awarded the work at a cost of Rs.1.47 lakh at KIITP, Kanjikode and Rs.0.47 lakh at Kakkanad. The total Capital Expenditure towards the cost of RMU foundation at Kanjikode and Kakkanad was Rs.1.94 lakh during the year 2019-20.

II. Coupling of Spare RMU (Add ONs)

71. The licensee submitted that, M/s. Electro Fine have supplied 11 Nos. of 11KV RMUs and 5 Nos. of Add ONs (Spare) for the RMU Installations. During the currency of the supply of RMUs, the number of HT consumers in the area increased for whom, the power supply was given through the then existing respective feeder pillars. So, when the RMU was replaced with feeder pillars, it became necessary to couple the Add ON units (spares) along with the installation of RMUs. For jointing the chamber and bus bars with sleeves, nuts, bolts and gaskets are necessary to connect these Add ON units to the main RMUs. Also, channels were become necessary as reinforcement to hold the Add ON Units to main chamber. After the tendering process (vide tender no. KINESCO/PKD/07/2018-19 dated 21.12.2018), the licensee has awarded the work at a cost Rs.3.42 lakh including GST.

III. Cable Termination in RMU

72. The licensee stated that, in the work of replacement of existing 11KV feeder pillars with RMUs, it was proposed to use the existing cable terminations for the newly installed RMUs where ever necessary. But later, during the tendering, it was found that many of the terminations are not suitable and could not be used for new RMUs. Hence, it was proposed to do the cable end terminations and straight joints where ever necessary as a separate work. 30 numbers of cable terminations were necessitated for the work. Among those 30 cable terminations, one each at Kalamassery and Kakkanad were done by respective consumers. While replacing the feeder pillars, some of the cables were not having sufficient length to connect with new RMUs. So approximately, 5 nos. of straight joints become necessary. Hence, estimate was prepared for carrying out 28 nos. of cable end terminations and 5 nos. of straight joints.
73. The licensee further stated that, tender for the work of 11KV RMU cable end termination and straight joints were floated vide tender no. KINESCO/PKD/06/2018-19 dated 21.12.2018 and the work was completed at a cost Rs.3.62 lakh including GST.

IV. Procurement of 11KV 3 core x 150 sq.mm cable bit

74. The licensee stated that, during the work of cable end terminations for installation of 11KV RMUs at KIITP, Kanjikode, a 14.60 metre length of 11KV 3 core x 150 sq.mm XLPE cable bit became necessary for the extension of one cable to new RMU. The licensee was conducted local enquiry and offer for the same has invited from suppliers who are dealing with HT cables. Out of three offers, M/s. Power Best Electricals became lowest with quoted rate for an amount of Rs. 0.14 lakh with GST extra. Hence, purchase order was released to M/s. Power Best

Electricals for an amount of Rs.0.16 lakh including GST vide PO No. 07/2018-19 dated 26-01-2019.

V. Retrieving and re-routing of power distribution network in connection with new RMU installation at KEPIP, Kakkanad.

75. While execution of replacement of RMU at Kakkanad licensee area, it was found that a major damage was occurred to one of the feeder cable due to striking of old cable tray part into the cable in the trench. Further, for installation of new RMU, it was necessary to extend the cable to about 50 meter. Therefore, a length of about 50-metre 3 x 300 sq.mm and 3x240 sq.mm 11KV armoured XLPE cable to be retrieved. The retrieved cable was to be replaced with 3x300 sq.mm 11KV armoured XLPE cable for a length of 50 metre which was available with KINESCO stores and the cable to be laid through the trench. Further, a six metres length of GI pipe to be procured to lay the cable for water drainage crossing. In addition to this, an extension of GI strips for interconnection of RMU to the existing earth pit also to be carried out.
76. The licensee conducted local enquiry and quotations were invited. Three contractors submitted their offers and out of three offers, M/s. Electro Fine became lowest with quoted rate for an amount of Rs.0.35 lakh plus GST extra as applicable. The work was awarded to M/s. Electro Fine vide WO NO. 17A/2018-19 dated 07.03.2019. The contractor has completed the works as per the work order and payment of Rs.0.42 lakh including GST was released towards the work.

Table 21
Summary of Associated Works as part of RMU Installation

Sl. No.	Name of Work / Purchase	Rs. lakh
1.	RMU Foundation civil works	1.94
2.	Coupling of Spare RMU (Add ONs)	3.42
3.	Cable Termination in RMU	3.62
4	Procurement of 11KV 3 core x 150 sq.mm cable bit	0.16
5.	Retrieving and re-routing of power distribution network in connection with new RMU installation at KEPIP, Kakkanad.	0.42
	TOTAL	9.56

77. Out of the total cost of Rs.9.56 lakh for the additional works as part of the erection of RMUs at various license areas, the licensee has claimed only Rs.9.40 lakh as Capital Expenditure. The licensee also submitted copies of documents to substantiate their claim.

78. Considering the necessity of the replacement of RMUs, the Commission has already approved the Capital expenditure proposal of Rs.58.25 lakh excluding GST in the Truing Up Order dated 11-11-2021. In the present petition licensee stated that, the actual cost for replacement of RMUs including GST is Rs.62.63 lakh (excluded the cost of spares issued to Consumers i.e., Rs.68.45 lakh- Rs.2.41 lakh- Rs. 3.41 lakh). **Accordingly, the Commission hereby approves the associated works related to installation of RMUs for Rs.9.40 lakh in addition to the approved cost of Rs.62.63 lakh (including GST) for replacement of 16 Nos of RMUs.**

Other Assets

79. The licensee has claimed the following capital expenditure other than described above.

Table 22
Details of Assets Additions below 5 lakhs

SI No	Description of Asset	UOM	Qty	Rs. lakh
1	Visitors' chair (steel 3-seater)	No	2	0.11
2	TOD meters	No		1.02
3	TOD metering panel (KIITP/MFP)	LS		0.54
4	Mobile phone for Palakkad area section	No	1	0.01
5	HP Laptop Battery	No	1	0.03
6	Procurement of PCs & peripherals	No	2	1.52
7	Supply of Lightning Arrestor	No	1	0.05
8	Installation of DP structure with fuse unit at MFP	No	1	0.59
9	Tools for sub-station at Kakkanad	LS		0.09
10	Purchase of CT/PT and GI supports	LS		1.86
11	Purchase of 11KV Cast Resin 90/5A 0.2s class CT for Kalamassery	No	1	0.48
	Total amount			6.30

80. The Petitioner submitted that, licensee has been sourcing the power requirement at various licensee areas from M/s. KSEB Ltd. As per Kerala Electricity Supply Code 2014, Chapter VI, Regulation 109 and CEA (Installation and Operation of Meters) Regulations licensee has to install check meters in addition to main meters at the interfacing points in the licensee areas. Therefore, the licensee has installed check metes only at Kakkanad licensee area. Further KSEB Ltd has directed to install check meters at the licensee areas of KPUPL at KINFRA Hi Tech Park, Kalamassery, KINFRA IIT Park, Kanjikode, Palakkad and KINFRA Mega Food Park, Kozhipara, Palakkad. Hence, the licensee has decided to

purchase and calibrate 3 nos of HT TOD energy meters and TOD metering panel for the above-mentioned licensee areas.

81. Regarding the Procurement of PCs & peripherals the licensee stated that, the desktop PC used for saving the monthly energy consumption details of consumers and for preparation of monthly electricity bills had been showing troubles since long time. A primary troubleshooting was done in the computer during the month of May 2019 with a technical expert who is doing similar works. He made some necessary modification in Operating system and networks and made the computer operative. During the trouble shooting, the technical expert informed that the hard disk and RAM of the computer has already become faulty and it needed urgent attention failing which the computer might get completely inoperative which might cause loss of back up data. The computer was of model 2010 and may hardware as well as software components of this computer were outdated and beyond upgradation. So, it became necessary to purchase a computer (desktop PC) with latest configuration and replace the same at the earliest.
82. The licensee further submitted that the desktop PC used by Finance Manager had been giving trouble since long time. The said PC was procured in the year 2010 and has outlived its useful and intended purpose. Moreover, the PC had been used as the server for Tally ERP9 and all past data of the Finance and Accounts and other important matters of financial and statutory reporting were also stored in the same PC. In the event of its going out of service would badly affect the smooth functioning of the office. The PC therefore, needed urgent replacement. The existing PC which is Tally loaded, can be used in the Audit room for the lighter use of various teams like statutory, cost and internal audits.
83. The licensee also submitted the details of purchase of CT/PT and GI supports expenses of Rs.1.86 lakh. The Commission in Truing Up Order dated 29.03.2021 for the truing up of accounts for the year 2017-18 have approved the asset addition for Rs. 32.66 lakhs based on the details given by the licensee. This included purchase of supporting structure for 110KV CT, purchase of 110KV CTs and PTs as part of upgradation of 110KV metering equipments to 0.2S accuracy class. In addition to these approved expenses the licensee incurred an Rs.1.86 lakh to M/s. Suman Controls towards release of differential CST (12.5%) against purchase of 110KV Current Transformers (CTs), Potential Transformers (PTs) and GI supporting structure.
84. The Commission has carefully analysed the submissions of the licensee and the documents furnished by them in support of the capital expenditure. On examination, it was noticed that all the capital expenditure has been incurred after assessing the necessity and also after observing tender formalities. The

petitioner has however not submitted the reasons with documentary evidence for claiming the release of differential CST (12.5%) against purchase of 110KV Current Transformers (CTs), Potential Transformers (PTs) and GI supporting structure. **The Commission is not allowing the differential CST amount of Rs. 1.86 lakh as part of the capital cost.**

85. **The Commission after considering the items of capital expenditure of Rs.6.30 lakh and the submissions by the petitioner to justify this expenditure, here by approves the amount of Rs. 4.44 lakh for the year 2019-20.**

Approved Capital Expenditure for the year 2019-20

86. **The Commission has examined the explanations and the documents furnished by the licensee and hereby approves the capital expenditure of Rs.68.01 lakh for the year 2019-20 is shown below.**

Table 23
Approved Capital Expenditure for the year 2019-20

SI No	Description of Asset	UOM	Qty	Rs. lakh
1	Development work of sub-station road (proportionate cost transferred by KEPIP)	LS	LS	12.17
2	Visitors' chair (steel 3-seater)	No	2	0.11
3	TOD meters	No		1.02
4	TOD metering panel (KIITP/MFP)	LS		0.54
5	Mobile phone for Palakkad area section	No	1	0.01
6	HP Laptop Battery	No	1	0.03
7	Procurement of PCs & peripherals	No	2	1.52
8	Solar Generating plant at Kakkanad & Kalamassery	kWp	70	35.68
9	Supply of Lightning Arrestor	No	1	0.05
10	Installation of DP structure with fuse unit at MFP	No	1	0.59
11	Tools for sub-station at Kakkanad	LS		0.09
12	Supply & installation of RMUs at Kakkanad	LS		15.72
13	Purchase of CT/PT and GI supports	LS		0.00
14	Purchase of 11KV Cast Resin 90/5A 0.2s class CT for Kalamassery	No	1	0.48
	Total amount			68.01

Depreciation

87. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2019-20 is Rs.110.27 lakh. The details of depreciation claim made by the licensee is shown in the form D 3.5 of the petition. In that form, the depreciation for the assets of Land & land rights at a rate of 3.33% and other civil works at a rate of 3.34% in 2019-20. The same was booked in 2018-19 at a rate of 3.36% for Land & land rights and other civil works. Further, the

depreciation amount of Rs.9.39 lakh for 'Assets of Partnership projects/ GOI Grants etc' against a GFA value of Rs.177.92 lakh and claimed as depreciation for the year 2019-20.

88. The Commission vide letter dated 08-10-2021 sought the clarification in this regard and licensee has submitted the revised form D 3.5 and clarification vide letter dated 25-10-2021. The details of depreciation as per revised form submitted by the licensee is shown below.

Table 24
Depreciation claimed for the year 2019-20

Asset Group (as per notification in respect of depreciation)	Rate of depreciation (%)	Gross fixed assets				Provision for depreciation	
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	Additions during the year	Adjustment during the year
		Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Land & land rights	3.33%	239.11			239.11	7.96	
Other Civil works - Building	3.34%	127.63	12.17		139.80	4.67	
Distribution lines	5.28%	282.34			282.34	14.91	
Sub-station equipment's	5.28%	172.73	0.73	98.04	75.42	3.98	33.86
Transformers	5.28%	254.92	2.34	11.42	245.84	12.98	4.24
Switchgears, Control gear & Protection	5.28%	411.67	15.72	19.85	407.54	21.52	7.40
Batteries	5.28%	3.87			3.87	0.20	
Others (Sub-station assets)	5.28%	101.85			101.85	5.38	
Distribution lines	5.28%	310.60			310.60	16.40	
Sub-station equipment's- Solar Plants	5.28%	23.25	35.69		58.94	3.11	
Others (AC, Safety equipment's, Refrigerator)	9.50%	6.40		0.39	6.01	0.57	0.35
Communication equipment		0.00			0.00	0.00	
Meters	5.28%	137.10	1.55	0.50	138.15	7.29	0.41
Vehicles		0.00			0.00	0.00	
Furniture & fixtures	6.33%	8.60	0.11	0.04	8.67	0.55	0.04
Office Equipment's	6.33%	0.91	0.01	0.09	0.83	0.05	0.09
Assets of Partnership projects/ GOI Grants etc.	5.28%	177.92			177.92	9.39	
Capital spares of HV & LT transmission/ ASIDE Grant		380.82			380.82	0.00	
Assets taken over & pending final valuation		1435.06	57.71		1492.77	0.00	
IT Equipment's	15.00%	5.82	1.55	0.97	6.40	0.96	0.91
Any other items (Computer Software)	15.00%	2.23			2.23	0.33	0.00
Gross Asset (Total (1) to (15))		4082.84	127.58	131.30	4079.12	110.27	47.30
Less: Consumer contribution		1435.06	57.71		1492.77	0.00	
Less: Government grants		558.74			558.74	0.00	
Net Asset considered for depreciation (19-20)		2089.04	69.87	131.30	2027.61	110.27	47.30

89. The licensee further stated that, depreciation rates for land & land rights and Other civil works in 2018-19 was inadvertently shown as 3.36% instead of 3.33% and 3.34% respectively. Regarding the GFA value of Rs.177.92 lakh, the licensee stated that the Commission had identified assets to the tune of Rs.177.92 lakhs against Govt grant while Truing Up of accounts of earlier period. However, the assets were part of the transferred electrical assets from KEPIP/KINFRA and against which consideration was paid by KPUPL to KINFRA. To identify this asset separately, it is categorised under this head and depreciation claimed against the same.
90. In the petition the licensee stated that, in the process of physical verification codification of Fixed Assets was conducted through a Chartered Accountant during the year 2018-19 and have identified certain assets as unserviceable due to fire (flash over in sub-station due to lightening etc.), upgradation of metering system to more accurate 0.2s class, due to obsolesce or damages caused due to separation of 100 acres of land from KEPIP to Infopark as per Government order and subsequent modifications done in Infopark area. Based on their recommendation and with the approval of the Board, the unserviceable assets have been written off during the current year. Moreover, some of the electrical assets which were located in the area of KEPIP were transferred back to KINFRA. The total value of assets (original cost) written-off / transferred back to KINFRA works out to Rs.131.30 lakhs and the accumulated depreciation till 31.03.2019 works out to Rs.47.30 lakhs. An amount of Rs.67.19 lakhs were debited to the P&L account under the head 'Exceptional items. Copy of the list of unserviceable assets written-off/ transferred back to KINFRA is attached with as Annexure – G of the petition.
91. The Commission examined the submission of the licensee and noted that, the accumulated depreciation of the assets written off and assets transferred back to KINFRA as per Annexure-G of the petition is Rs.47.30 lakh. However, the form D 3.5 shows an amount of Rs.64.11 lakh as reversal of accumulated depreciation. Further, the licensee has not considered the resale value of assets written off i.e., unserviceable assets and claimed the entire WDV of assets as 'Exceptional Items' of Rs.67.19 lakh. The licensee submitted that, the accumulated depreciation of the assets written off and assets transferred back to KINFRA as per Annexure-G of the petition is Rs.47.30 lakh and also that of Note No.8 of the Audited Accounts for 2019-20 which is in order. However, an error occurred in Form D 3.5 which is shown as Rs.64.11 lakhs instead of Rs.47.30 lakhs. Revised form D 3.5 is enclosed as Annexure-H2. Regarding the resale value of assets written off the licensee stated that, 'as per accounting policy of the Company being part of the audited financial statement (G 3), "Scrap other than steel scrap

is accounted for as and when sold". A committee is formed to assess the estimated value and to do the necessary steps for sale of the scrap items. On realisation of the same, the proceeds shall be shown as "Other Income" in the year of realisation'.

92. The Commission while Truing Up of Accounts for 2018-19 has decided not to allow depreciation for the year 2018-19 as the Commission observed that, the licensee is eligible for depreciation at the rate specified in the Regulations for first twelve financial years from the date of Commercial Operation, and after twelve years, the remaining depreciable value shall be spread over the balance useful life of the assets. However, the licensee has not furnished the details such as Name /class of the individual asset, original date of acquisition, etc. of individual assets transferred from KEPIP. These details are necessary to determine the age of the asset and to identify the assets eligible for depreciation as per the rates specified in the Regulations or by spread over. Further, in the case of asset additions after the transfer, individual asset-wise cost and date of acquisition are also not furnished by the licensee. Hence, in the absence of this information, the Commission was not in a position to determine the depreciation admissible as per the provisions of Regulations.
93. The Commission has already directed vide Order dated 11-11-2021 the licensee to furnish the complete information on the Fixed Assets within a period of three months from the date of Order for the determination of depreciation admissible as per the provisions of Regulations and the approval of depreciation for the year 2018-19 was also deferred. However, the licensee has not furnished the details/information sought by the Commission for the year 2019-20 also. Further, details of accumulated depreciation on substation equipments amounting to Rs.50.67 lakh per Form D.3.5 and Rs.33.86 lakh in the revised Form D.3.5 subsequently furnished as clarification and amount written off and assets transferred back are not in agreement with amounts approved by the Board of Directors as per the Board Minutes furnished. The licensee has debited an amount of Rs.67.19 lakhs to the P&L account under the head 'Exceptional items as the entire WDV of unserviceable assets whereas the actual amount to be debited should have been Rs.84.00 lakh (Rs.131.30 lakh- Rs.47.30 lakh). Since the licensee has not provided full details of the same, the Commission is not in a position to consider the said adjustment. **Considering the above circumstances, the Commission decided to defer the approval of depreciation for the year 2019-20. The Commission further hereby directs the licensee to submit the complete assets details i.e., name of assets, year of acquisition, cost, accumulated depreciation etc within 3 months of the date of issue of this Order.**

Interest and Finance Charges

94. The licensee claimed an amount of Rs.101.01 lakh towards the Interest and Finance charges. The licensee as part of interest and finance charges included interest and finance charges on loans, interest on security deposit and bank charges. The details as per the petition are furnished below.

Table 25
Interest and finance charges claimed for the years 2019-20

Particulars	Rate of interest	Rs. lakh
Interest paid on the Debt portion of the consideration for Asset Transfer, Rs.737.41 lakhs	11.50%	83.38
Interest on loan paid to KIFRA (availed in 2014-15 for completing the Palakkad sub-station)	11.50%	11.86
Against security deposit to consumers & others	3.50%	1.29
Bank charges paid		4.48
Total amount		101.01
Less: Capitalised		0.00
Net amount of interest		101.01

95. The comparison statement of interest and finance charges for the year 2018-19 and 2019-20 are shown below.

Table 26
Interest and finance charges for the years 2018-19 & 2019-20

Particulars	2018-19		2019-20
	Truing Up Petition	Trued Up	Truing Up Petition
	Rs. lakh	Rs. Lakh	Rs. lakh
Interest on long term loans	87.66	72.95	95.24
Interest on SD	2.56	0.00	1.29
Bank Charges	6.50	6.50	4.48
Total	96.72	79.45	101.01

96. The licensee has claimed Rs.95.24 lakhs (Rs.83.38 lakh+Rs.11.86 lakh) as interest on loan for the year 2019-20 as part of the Interest and finance charges. The licensee submitted in the petition that, the debt: equity ratio as per the Asset Transfer Agreement executed on 07-09-2016 and the Supplementary Agreement dated 27-10-2017 is 70:30. The effective date of transfer of the assets was considered as 01-02-2010 and the company has issued 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/-. The Company availed loan from the promoter KINFRA for an amount of Rs.7,37,40,737/-. The licensee further stated that, the total equity participation by the promoter has been changed from Rs.10,00,000/- to Rs.3,25,99,948/- and the debt portion had been revised to Rs.7,37,40,737/- and effect of the same was brought to the books in the year 2019-20 to comply with the requirements of the Companies Act, 2013.

97. The licensee also submitted that they had earlier availed a loan of Rs.235.00 lakhs from KINFRA at an interest rate of 11.50% per annum, the rate at which KINFRA has been obtaining funds from Govt. of Kerala, for completion of the first phase of the sub-station at Kinfra Integrated Industrial & Textile Park at Palakkad. Refund of the loan of Rs.235.00 lakhs commenced at 60 equated monthly instalments (EMI) from April 2017. Refund of the loan of Rs.737.41 lakhs and the interest on loan commenced from 01.04.2018 at 180 EMIs.
98. On examination of audited accounts for 2017-18, it is observed that the above adjustments have been made by the licensee in the accounts for 2017-18 itself. The licensee had made the same submissions in the petition for the Truing Up for 2017-18; and the Commission had arrived at an opening balance of normative loan of Rs. 648.57 lakhs as on 01-04-2017 after examining in detail the submissions of the licensee. Further, during the Truing-Up of accounts for the year 2017-18, the licensee was also allowed interest on normative loan considering the opening balance as on 01-04-2017 and asset additions during the year after considering the cumulative depreciation as on 31.03.2017 and depreciation during 2017-18 as repayment of loan.
99. In 2018-19, the Commission has deferred the depreciation till the submission of complete information on the Fixed Assets by the licensee. Based on this, the Commission has allowed interest on normative loan during the year 2018-19 on the normative loan balance of Rs.592.61 lakh as on 01-04-2018, the asset additions approved during 2018-19 and without considering the depreciation for the year 2018-19 as the repayment of normative loan. **Therefore, the Commission decided to continue the same decision as per the Order dated 11/11/2021. The Commission further directs that unless the licensee submit the complete list of fixed assets as directed in para 93 above within the time frame, the Commission may consider not to approve the interest on normative loan in future.**
100. Hence, the interest on normative loan admissible for the year 2019-20 works out as below.

Table 26
Interest on Normative loan approved for the year 2019-20

Particulars	Amount (Rs. lakh)
Opening normative loan as on 01-04-2019	676.01
Add: Asset additions for 2019-20	68.01
Less: Depreciation for 2019-20 as repayment	0.00
Closing normative loan as on 31-03-2020	744.02
Average Normative Loan	710.02
Interest on Govt. loans	11.50%
Interest on normative loan for the year 2019-20	81.65

Interest on Security Deposits

101. The licensee has also claimed an amount of Rs.1.29 lakh as the interest on security deposit for the year 2019-20. Regarding the interest on security deposit, the Commission had issued directions vide Order dated 29.03.2021 to reconcile the accounts for security deposits. The same direction was given to the licensee in Order dated 31.03.2020 also.
102. In the clarification dated 25-10-2021 the licensee stated that, since inception KPUPL has been providing pre-paid energy metering system. Energy meters were costly and to safeguard the interest of the licensee, a token amount of Rs.35,000/- were collected from consumers. Further licensee stated that, the absence of any provision in Supply Code, we have been working out interest at prevailing saving bank interest rate and paid to the consumers. Prepaid energy metering system has been upgraded recently and accordingly the matter needs to be reviewed and approval of the Commission would be sought separately.
103. The Commission examined the contention of the licensee and noted that, as per Chapter IV (Security Deposit for Electricity Charges and Meter) of Kerala Electricity Supply Code, 2014, states that, interest on security deposit shall pay to the consumer at bank rate i.e., Standard rate notified by RBI. The relevant portion of the Regulations is given below.
- “72. Interest on security deposit. - (1) The licensee shall pay to the consumer, interest on the security deposit furnished by him at the bank rate prevailing on the first of April of that year and it shall be payable annually with effect from date of such deposit.*
- (2) The interest accrued during the financial year shall be adjusted in the energy bill of the consumer during the first quarter of the ensuing financial year.*
- (3) If the adjustment of interest is delayed, interest at twice the bank rate shall be payable for the delayed period”.*
104. The Commission noted that, the licensee has paid interest to the consumers only a lower rate of 3.50 per cent which is not a correct practice. The licensee is to pay the interest to the consumers as per the bank rates of RBI applicable for the relevant years. ***The Commission further noted that, the licensee was directed repeatedly to do a proper reconciliation of accounts on security deposit. However, no such reconciliation or details on the security deposits have been provided by the licensee to the Commission till date. Hence, the interest on security deposit Rs.1.29 lakh is not considered here.***

105. Thus, after examining in detail the claim of the licensee towards interest and finance charges, ***the Commission hereby approves Rs.86.13 lakh as interest and finance charges for the year 2019-20 is as shown below.***

Table 27
Interest and Finance charges approved for the year 2019-20

Particulars	2018-19		2019-20	
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up
	Rs. lakh	Rs. lakh	Rs. lakh	Rs. lakh
Interest on long term loans	87.66	72.95	95.24	81.65
Interest on SD	2.56	0.00	1.29	0.00
Bank Charges	6.50	6.50	4.48	4.48
Total	96.72	79.45	101.01	86.13

Return on Equity

106. The licensee has claimed return on equity of Rs. 45.64 lakh for the year 2019-20. The details of claim made by the licensee are shown below.

Table 28
Return on Equity claimed for the year 2019-20

Equity at the end of the year (Rs. lakh)	Rate of return	Return on Equity (Rs. lakh)
326.00	14%	45.64

107. The licensee submitted that the Commission had issued a clarification on Return on Equity as part of Tariff Regulations 2006 and as per this clarification any cash resources available to the licensee from its share premium account or from its internal resources that are used to fund the equity commitments of the projects shall be treated as equity. The licensee further submitted that though the above clarificatory clause of the earlier regulation was omitted in the subsequent regulation and more so, in the absence of anything contradictory in the subsequent regulation, the earlier regulation stands good. The licensee also requested to consider share premium account along with equity for the purpose of calculation of ROE.
108. The licensee also cited the Hon. APTEL Order on Appeal No. 121 of 2011 dated 3rd October 2011 in support of their claim of return on equity on the share premium amount. The contention of the petitioner is that as per the Assets Transfer Agreement dated 07-09-2016 and the Supplementary Agreement dated 27-10-2017, the effective date of transfer of the assets was considered as 01-02-2010. The debt: equity ratio as per the Asset Transfer Agreement is 70:30. Accordingly, the company has issued 2,16,438 equity shares of Rs.10/- each at a

premium of Rs.136/- each, aggregating to an amount of Rs.3,15,99,948/- during the year. Hence, the total equity participation by the promoter is increased from Rs.10,00,000/- to Rs.3,25,99,948/-. The Company is, therefore, eligible to get ROE of Rs.45.64 lakh for the year 2019-20.

109. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations. As per the submission and audited accounts of the licensee, the share premium was recognised by the company in the year 2017-18. Accordingly, the provisions of Tariff Regulations 2014 are applicable for the determination of Return on Equity. The relevant portion of Regulation is extracted below.

Quote

27. Debt-equity ratio. – (1) *For the purpose of determination of tariff, debt equity ratio as on date of commercial operation in the case of a new generating station, transmission line and distribution line or substation commissioned or capacity expanded on or after the First day of April 2015, shall be 70:30 of the capital cost approved by the Commission:*

Provided that the debt-equity ratio shall be applied only to the balance of such approved capital cost after deducting the financial support provided through consumer contribution, deposit work, capital subsidy or grant, if any

(2) Where equity employed is more than thirty percent of the approved capital cost, the amount of equity for the purpose of tariff shall be limited to thirty percent and the balance amount shall be considered as normative loan and interest on the same may be allowed at the weighted average rate of interest of the actual loan portfolio.

(3) Where actual equity employed is less than thirty percent of the approved capital cost, the actual equity shall be considered

29. Return on investment. – (1) *Return on equity shall be computed in rupee terms, on the paid-up equity capital determined in accordance with the regulation 27 and shall be allowed at the rate of fourteen percent for generating business/companies, transmission business/licensee, distribution business/licensee and state load despatch centre:*

Provided that, return on equity for generating business/company, transmission business/licensee, distribution business/licensee and state load despatch centre, shall be allowed on the amount of equity capital approved by the Commission for the assets put to use at the commencement of the financial year and on fifty percent of equity capital portion of the approved capital cost for the investment put to use during the financial year:

Provided further that at the time of truing up for the generating business/company, transmission business/licensee, distribution business/licensee and state load despatch centre, return on equity shall be allowed on pro-rata basis,

taking into consideration the documentary evidence provided for the assets put to use during the financial year.

(2) If the equity invested in the regulated business of the generating business/company or transmission business/licensee or distribution business/licensee or state load despatch centre is not clearly identifiable, return at the rate of three percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

Provided that net fixed assets shall be exclusive of the assets created out of consumer contribution, deposit works, capital subsidy or grants.

Unquote

110. From a combined reading of Regulation 27 and 29, it is clear that the return on equity shall be determined on the paid-up equity capital of the licensee and it shall be the 30% of the total investment or the actual paid up equity capital whichever is less. Based on this, the Commission had taken a consistent view that the return on equity can be allowed only on paid up capital. Further, it is a generally accepted principle that the returns or dividend are paid only on the face value of the equity share and not on any other value of equity share.
111. Regarding the applicability of clarification on Return on Equity as part of Tariff Regulations 2006, it is imperative to mention that, once the provisions of a particular Rule or Regulations is repealed by introducing a new Regulation. The provisions of the old Regulation is no longer applicable unless there is an express provision in the new Regulation regarding the applicability of the old provisions. Accordingly, the contention of the licensee to consider the clarificatory clause to the Tariff Regulation 2006 in this case has no legal standing deserves no merit and is rejected.
112. Further, the citation of APTEL case by the licensee is not applicable to the present case as it is not related to the consideration of share premium for the calculation of Return on equity. The issue in the case was disallowance of interest in excess equity and the date from which the interest is calculated on the amount in excess of the equity. The question of law in this case was as to whether the provisions of Regulations can be applied retrospectively. In the said case the MPERC has considered normative repayments from the date of commercial operation i.e., for the period from the date of commercial operation to the date of vesting of Assets to the Madhya Pradesh Power Generating Company Limited from MPSEB for calculating interest on normative loan instead of acknowledging the excess equity as on the date of transfer as normative loan.
113. Hon. APTEL made it very clear that the provisions of the Regulations cannot be applied retrospectively and ordered that the MPERC has to recalculate the

interest on normative loan i.e., equity in excess of 30% from the date of Opening Balance Sheet. The Hon. APTEL has considered in the case the date of vesting of assets to the Madhya Pradesh Power Generating Company Limited for the calculation of interest on loan in a totally different scenario and in no way applicable in the case of KPUPL.

114. Further, in the case of KPUPL, the Asset Transfer Agreement was executed in the year 2016-17 and the Supplementary agreement was executed in the year 2017-18. Though the effective date of transfer as per these agreements was considered as 01-02-2010, the consideration for the Assets transferred was settled in the year 2017-18 by issuing 2,16,438 equity shares of Rs.10/- each at a premium of Rs.136.00 per share. Further, the equity capital and the share premium were recognised in the books of Accounts of the licensee only in the year 2017-18. However, the Commission in OP No 31/2021 dated 11-11-2021 after a detailed examination of this issue had rejected the licensee claim of equity amount of Rs.3,15,99,948/- which included a share premium of Rs.136 per share. It was also pointed out that even financial support provided through consumer contribution, deposit work, capital subsidy or grant shall be deducted from equity. Hence, the Commission has correctly rejected the licensee's submission including the share premium as equity contribution. Hence the Commission had approved the increased equity as Rs.31.64 lakh only and allowed ROE etc on this amount. Considering all these facts, the Commission had allowed interest on the normative loan and Return on Equity in 2017-18 as per the provisions of Tariff Regulation 2014. The Commission had not allowed interest on loan up to the year 2016-17 as there was no actual interest liability for the licensee up to this period.
115. As discussed above, the licensee is eligible for return on equity only on the amount shown as paid-up equity capital and not for the share premium amount. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. However, in the present petition, since the licensee has claimed ROE on the basis of equity contribution, the admissible return on equity for the year 2019-20 works out as under.

Table 29
Return on Equity approved for the year 2019-20

Particulars	Amount (Rs. lakh)
Opening Equity as on 01-04-2019	31.64
Add: Additions for 2019-20	0.00
Closing Equity as on 31-03-2020	31.64
Return on Equity @ 14% (Rs.31.64 lakh *14%)	4.43

116. **Based on the deliberations above, the Commission hereby approves Rs. 4.43 lakh as Return on Equity for the year 2019-20.**

Revenue from Sale of Power

117. The actual revenue realised from sale for power for the year 2019-20 is Rs.6967.66 lakh for 926.08 lakh units. The approved revenue from sale of power as per the Truing Up Order dated 11-11-2021 is Rs.6107.03 lakh for 864.94 lakh units. As per the petition, the major revenue is from the sale to the HT category, i.e., Rs.5052.17 lakh. A category wise comparison of the revenue from sale of power for the years 2018-19 & 2019-20 is as shown below.

Table 30
Details of Revenue from Sale of Power for the year 2018-19 and 2019-20

Sl. No.	Consumer Category	2018-19			2019-20		
		Units Sold (lakh units)	Sales (Rs.in lakh)	Average Realisation (Rs. kWh /lakh)	Units Sold (lakh units)	Sales (Rs.in lakh)	Average Realisation (Rs. kWh /lakh)
1	LT IV A	9.32	66.78	7.17	11.38	84.01	7.38
2	LT IV B	68.63	475.56	6.93	68.82	512.93	7.45
3	LT VI A	0.72	5.07	7.04	0.18	1.28	7.11
4	LT VI B	0.25	1.97	7.88	0.28	2.34	8.36
5	LT VI C	0.92	11.16	12.13	2.39	25.73	10.77
6	LT VI F	15.49	151.68	9.79	18.10	193.88	10.71
7	LT VII A	1.32	13.58	10.29	2.70	29.6	10.96
8	LT VII B	0.01	0.04	4.00	0.01	0.06	6.00
9	LT VIII B	0.25	1.00	4.00	0.40	1.78	4.45
10	LT IX	0.01	0.11	11.00	0.04	0.59	14.75
11	HT I A	195.91	1225.91	6.26	198.01	1315.99	6.65
12	HT I B	424.76	2955.19	6.96	456.78	3332.89	7.30
13	HT II A	5.62	37.65	6.70	4.42	34.95	7.91
14	HT II B	3.15	32.35	10.27	4.57	45.40	9.93
15	HT IIIB	5.86	23.44	4.00	5.59	23.61	4.22
16	HT IV	18.00	143.58	7.98	9.52	76.03	7.99
17	HT IV A	-	-	-	0.81	12.12	14.96
18	HT IV B	-	-	-	23.88	211.17	8.84
19	DHT I B	110.69	914.94	8.27	111.81	970.35	8.68
20	DHT II A	1.49	15.62	10.48	1.99	27.06	13.60
21	DHT IV	2.56	31.40	12.27	0.72	8.86	12.31
22	DHT IV A	-	-	-	3.68	57.01	15.49
		864.94	6107.03	7.06	926.08	6967.66	7.52

118. The licensee further submitted that the revenue from sale of power doesn't contain any Sec (4) duty and supply surcharge. The licensee stated in the petition that the retail rate of supply to HT 1A and LT IVA consumers is lower

than the purchase cost, and sales to these categories of consumers comprises 22.61% of the total sales and hence affecting the net revenue of the licensee adversely. The licensee also submitted that most of the new consumers are in the industrial category and the IT Park at Kakkanad is almost saturated and this has also contributed to the reduction in the average revenue per consumer.

119. The Commission had examined the issue of lower retail rate while finalising the Truing Up of accounts for the year 2017-18 and concluded that the issue will be addressed at the time of fixing the BST rates. The Commission further notes that, the licensee is compensated in the other sectors like IT which form a major portion of the park consumers, wherein the rates are more beneficial. However, on examination of the sales data, it is noted that there is an increase in the sale units by 61.14 lakh units as well as revenue from sale of power by Rs.860.63 lakh in 2019-20 when compared to 2018-19. The average revenue per sale units has also increased to Rs.7.52 kWh/lakh in 2019-20 from the level of Rs.7.06 kWh/lakh of 2018-19. **After examining the details furnished by the licensee, the Commission hereby approves the revenue from sale of power at Rs.6967.66 lakh for the purpose of Truing Up of Accounts for the year 2019-20.**

Non-tariff Income

A. Other Operational Income

120. The petitioner submitted that there is revenue of Rs.21.08 lakh from other than operational income. The details furnished by the licensee in Form D.2.1 are shown below.

Table 31
Other Operational Income

Particulars	2018-19 (Rs.in lakh)	2019-20 (Rs.in lakh)
Revenue from late payment surcharge	1.63	-
Meter/metering equipment/service line rentals	1.79	4.14
Miscellaneous Charges from consumers	0.04	-
Application Fees	0.26	-
Charges for Solar Grid Connectivity	4.87	4.85
Collection Charges	2.22	2.84
Installation Charges	10.96	8.13
Supervision Charges	1.85	1.12
Total	23.62	21.08

121. **After examining the nature of the income and the amount, the Commission hereby approves Rs.21.08 lakh as Other Operational Income for the year 2019-20.**

B. Income from wheeling charges

122. The licensee submitted that, one of the consumers of KPUPL, M/s. TATA Consultancy Services Ltd and M/s. Nitta Gelatine (I) Ltd, at Infopark, Kakkanad have obtained approval for availing power through Short Term Open Access (STOA) for 1.98 MW from State Nodal Agency, SLDC vide Reg. No. 0033/STOA/TCSIFP dated 08-03-2018 and Reg. No. 0040/STOA/NGIFP dtd. 19-07-2019, respectively. The licensee further submitted that, the wheeling charges collected by the power exchange payable to the distribution licensee is credited to the SLDC account and the amount applicable to each utility is transferred from SLDC. As per the submission of the licensee, M/s. TATA Consultancy Services Ltd and M/s. Nitta Gelatine have started availing power through open access from April 2018 and August 2019 onwards respectively. The details of wheeling charge and cross subsidy collected by the licensee for the year 2019-20 are shown in the Table below.

Table 32
Income from Wheeling Charges

Period	Open Access Consumer	Energy Wheeled (lakh units)	Revenue from Wheeling Charges (Rs.in lakh)	Revenue from Cross Subsidy (Rs.in lakh)	TOTAL Revenue (Rs.in lakh)
2019-20	M/s. TCS Ltd	0.22	0.07	0.23	0.30
2019-20	M/s. Nitta Gelatine (I) Ltd	15.56	8.56	19.46	28.02
	TOTAL	15.78	8.63	19.69	28.31

123. **After examining the details furnished by the licensee, the Commission hereby approves Rs.28.31 lakh as Income from wheeling charges for the year 2019-20.**

Revision of Non- Tariff Income for the year 2018-19

124. In the Truing Up Order 2018-19, the interest income on cumulative regulatory surplus was accounted as part of the non-tariff income. The licensee had also booked an amount of Rs.94.15 lakh as interest on bank deposit in 2018-19. Hence the same was to be deducted from the interest on accumulated surplus. The Commission has not deducted the said amount of Rs.94.15 lakh as interest on bank deposit actually booked by the licensee. Further the Commission had not deducted the Section 4 duty of Rs.124.80 lakh from the accumulated surplus of Rs.3734.75 lakh while computing the interest on accumulated surplus.

125. Accordingly, the Commission hereby revises the non-tariff income for the year 2018-19 to that extend as per the Regulation 67 A of the KSERC (Conduct of

Business) Regulation 2003 as amended vide KSERC (Conduct of Business) (Amendment) Regulations 2014. Regulation 67 A is quoted below

“67.A. Amendment of Orders – Clerical or arithmetical mistakes in the orders or errors arising therein from any accidental slip or omission may at any time be corrected by the Commission either of its motion or on an application of any of the parties.”

126. Accordingly, the Table 32 in the Order dated 11-11-2021 is modified to that extend as shown below:

Table 32
Interest on Accumulated Surplus approved for the year 2018-19

Particulars	Trued Up for the year 2017-18 (Rs. lakh)	Approved for the year 2018-19 (Rs. lakh)
Accumulated Surplus at the beginning of the year	3375.63	3734.75
Less: Section-4 duty	(124.80)	(124.80)
Surplus excluding the duty	3250.83	3609.95
Interest rate applicable (%)	6.90%	*6.40%
Interest on Accumulated surplus	224.31	231.04

*The retail term deposit rate of SBI for a tenor of one year as on 01-04-2018

127. The interest income is worked out on regulatory surplus after deducting the section 4 duty. The total interest applicable for the balance surplus for the year 2018-19 is Rs.231.04 lakh as shown in the table above. Since the licensee has already accounted Rs.94.15 lakh towards interest on Bank FD and others, the balance amount of Rs.136.89 lakh (Rs.231.04 lakh – Rs.94.15 lakh) is accounted as interest on accumulated surplus. **Accordingly, the Commission revises the interest on accumulated surplus for the year 2018-19 as Rs.136.89 lakh.**

128. Considering the revised interest on accumulated surplus worked out above, Table 33 in the Order dated 11-11-2021 is modified as shown below:

Table 33
Other Income for the year 2017-18 and 2018-19

Particulars	Trued Up for the year 2017-18 (Rs. lakh)	True up Petition for the year 2018-19 (Rs. lakh)
Interest on Bank Fixed Deposits	67.55	94.15
Other miscellaneous receipts	1.16	0.52
Interest on accumulated surplus	0.00	136.89
Total amount	68.71	231.56

129. **Based on the revisions made in para 120 to para 124 above, the Non-tariff income for the year 2018-19 is revised as Rs.257.57 lakh (Rs.23.62 lakh as Other operational income + Rs.2.39 lakh as Income from Wheeling charge + Rs.231.56 as Other Income).**
130. Considering the revised workings done in the Non-tariff income for the year 2018-19 the total revenue has decreased to the extent of Rs.102.13 lakh (Rs.359.70 lakh- Rs. 257.57 lakh). Considering this adjustment, **the Commission hereby revised the revenue surplus for the year 2018-19 as Rs.525.09 lakh (Rs.627.22 lakh- Rs.102.13 lakh) and accumulated surplus as on 31-03-2019 as Rs.4259.84 lakh (Rs.4361.97 lakh- Rs.102.13 lakh).**

C. Other Income

131. The licensee also furnished the details of other income during the period 2019-20. The other income received by the Company during the year 2019-20 as per the petition is detailed below.

Table 33
Other Income for the year 2018-19 and 2019-20

Particulars	Trued Up for the year 2018-19 (Rs. lakh)	True up Petition for the year 2019-20 (Rs. lakh)
Interest on Bank Fixed Deposits	94.15	121.29
Other miscellaneous receipts	0.52	3.97
Interest on Accumulated Surplus	239.02	0.00
Total amount	333.69	125.26

132. The Commission has examined the above submissions of the licensee. It can be seen from the above Table that a major portion of the above other income during the year 2019-20 was the interest income received by the licensee on fixed deposits with banks. The Commission also noted that the licensee has not considered the notional interest on the accumulated revenue surplus as other income. The legal position on this has already been clarified by the Commission in the previous Truing Up Orders whereby it has been made it clear that the interest on the accumulated surplus at the beginning of the year has to be accounted as other income for the concerned year.
133. The erstwhile licensee M/s KEPIP had erroneously reported the revenue from sale of power including Section 4 duty for the period from 2004-05 to 2008-09 and the revenue approved in the Order dated 06-12-2011 was inclusive of the Electricity Duty under section 4. The total amount of duty for these years was Rs.124.80 lakh. Since the said amount was already remitted to the Government, based on the request submitted by the licensee, the Commission in Order dated

31-03-2020 had decided to exclude this amount only for the limited purpose of calculating the interest on accumulated revenue surplus as a special case.

134. Accordingly, the interest on accumulated surplus to be considered as other income and works out as under.

Table 34
Interest on Accumulated Surplus approved for the year 2019-20

Particulars	Approved for the year 2019-20 (Rs. lakh)
Accumulated Surplus at the beginning of the year	4259.84*
Less: Section-4 duty	(124.80)
Surplus excluding the duty	4135.04
Interest rate applicable (%)	6.80%**
Interest on Accumulated surplus	281.18

*Revised Revenue surplus Rs.4259.84 lakh (Rs.4361.97 lakh- Rs.102.13 lakh)

**The retail term deposit rate of SBI for a tenor of one year as on 01-04-2019

135. The interest income is worked out on regulatory surplus after deducting the section 4 duty. The rate of interest considered for the year is the SBI retail term deposit rate for up to one year at the beginning of 2019-20, which is 6.80%. The total interest applicable for the balance surplus is Rs.281.18 lakh. The licensee has already accounted Rs.121.29 lakh towards interest on FD and others. Thus, the balance amount of Rs.159.89 lakh (Rs.281.18 lakh – Rs.121.29 lakh) is accounted as interest on accumulated surplus. **Based on above, the Commission hereby approves Rs.285.15 lakh as other income for the year 2019-20.**

Table 35
Other Income for the year 2019-20

Particulars	Trued up (Rs. lakh)
Interest on Bank Fixed Deposits	121.29
Other miscellaneous receipts	3.97
Interest on accumulated surplus	159.89
Total amount	285.15

136. Based on the discussions above, **the Commission hereby approves Rs.334.54 lakh as Non-tariff income for the year 2019-20** works out as shown below.

Table 36
Approved Non- Tariff Income for the year 2019-20

Particulars	Truing Up claim for the year 2019-20	Approved for the year 2019-20
Other Operational Income	21.08	21.08
Income from wheeling charges	28.31	28.31
Other Income	125.26	285.15
Total Non-tariff Income	174.65	334.54

Revenue (Gap)/Surplus after Truing Up of Accounts for 2019-20

137. The Commission after detailed examination and analysis of each item of expenditure and income as described in the preceding paragraphs, has arrived at the revenue surplus for the year 2019-20. The approved Total Expenditure and Total Revenue for the year 2019-20 after truing up is as shown below.

Table 37
Approved Truing Up of account for the year 2019-20

Particulars	2019-20	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Revenue from Sale of Power	6988.74	6967.66
Non- Tariff Income*	153.57	334.54
Total Income	7142.31	7302.20
Purchase of Power	6330.51	6209.42
R&M Expenses	88.61	88.61
Employee Cost	76.05	73.62
A &G Expenses	108.81	53.27
Depreciation	110.27	0.00
Interest & Finance Charges	101.01	86.13
Return on Equity	45.64	4.43
Tax on RoE	92.58	0.00
Adjustment of profit on a/c of loss due to write-off of assets	67.19	0.00
Total Expenditure	7020.67	6515.48
Net Surplus/(Deficit)	121.64	786.72

* Including wheeling charge income

Orders of the Commission

138. The Commission after considering and detailed examination of the petition of the licensee for the Truing Up of accounts for the period 2019-20, additional information submitted thereon and the comments /remarks by KSEB Ltd., approves the following.

- (i) The Income for the year 2019-20 is **Rs.7302.20 lakh**
- (ii) Total Expenditure for the year 2019-20 is **Rs.6515.48 lakh**
- (iii) The revenue Surplus for the year 2019-20 is **Rs.786.72 lakh**
- (iv) The cumulative revenue surplus up to 2019-20 after considering the Revised opening balance of Rs.4259.84 lakhs will be **Rs.5046.56 lakh** (Rs.4259.84 lakhs+Rs.786.72 lakh). The licensee shall keep the surplus in a separate fund and utilize it as per the Orders of the Commission

Directives

139. The Commission issues the following directives for compliance by the licensee:

- (i) The licensee shall furnish a detailed note showing the details of equipment's and a theoretical calculation of T&D loss, area of improvements based on the energy audit, to quantify the benefits achieved and to furnish a copy of the energy audit report within 3 Months of the date of issue of this Order (As mentioned Para 12)
- (ii) The licensee shall file a separate petition on the required/available employee strength, qualifications, experience, scale of pay, number of employees engaged in each shift, etc based on CEA norms to arrive at an optimal employee strength not later than three months from the date of issue this Order (As mentioned Para 12).
- (iii) In order to make the licensee's operations more cost effective, the licensee is hereby directed to continue their effort to materialise the transfer of consumers at Kanjikode license area in pursue with KSEB Ltd.
- (iv) The licensee is directed to maintain the phase wise/ area wise details of energy input and output (including wheeling energy) for regulatory purposes (As mentioned Para 29).
- (v) The licensee is once again directed to complete the reconciliation process of all previous years and submit a compliance report to the Commission within a period of three months from the date of issue of this Order (As mentioned Para 35)
- (vi) The licensee to explore the possibility of floating a joint/consolidated O&M tender with the other licensees located at Kakkanad (As mentioned Para 56)

(vii) The licensee to submit the complete assets details i.e., name of assets, year of acquisition, cost, accumulated depreciation etc within 3 months of the date of issue of this Order (As mentioned Para 93)

140. With the above, the petition is disposed of. Ordered accordingly.

Sd/-
Adv. A.J. Wilson
Member (Law)

Sd/-
Preman Dinaraj
Chairman

Approved for issue

Sd/-
Secretary